

Comprehensive Annual Financial Report

**FOR THE YEAR ENDED DECEMBER 31, 2018
HOUSTON, TEXAS**



Houston-Galveston Area Council

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**
of the
HOUSTON-GALVESTON AREA COUNCIL
Houston, Texas

For the year ended
December 31, 2018

Nancy Haussler, CPA
Chief Financial Officer
Member of the Government Finance Officers Association
of the United States and Canada

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**HOUSTON-GALVESTON AREA COUNCIL
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2018**

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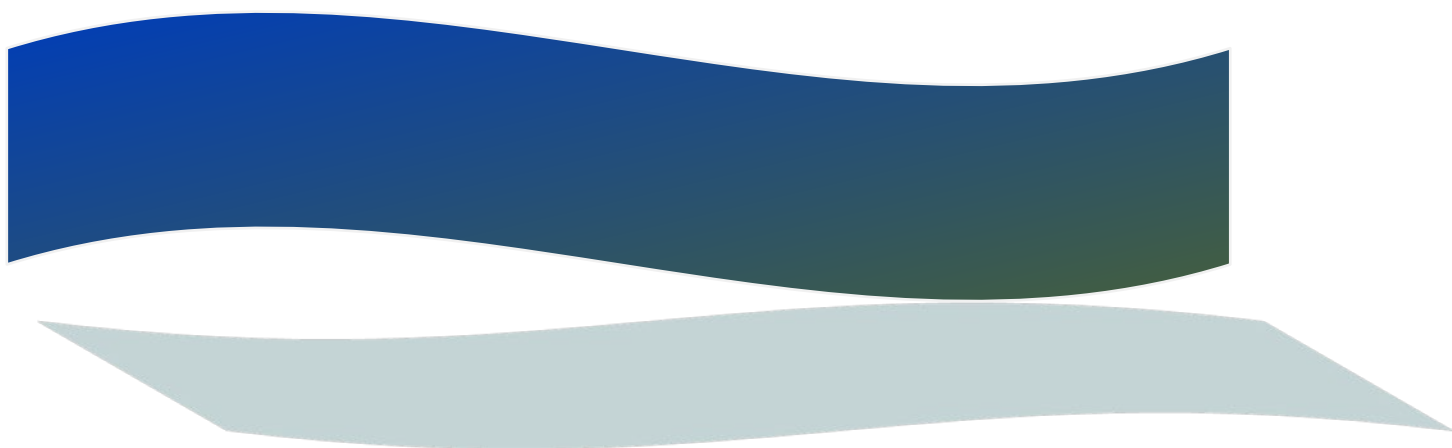
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Introductory Section



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Houston-Galveston Area Council

June 4, 2019

The Honorable Stacy Adams and Members
of the Board of Directors
Houston-Galveston Area Council
Houston, TX

Dear Commissioner Adams and Members of the Board of Directors:

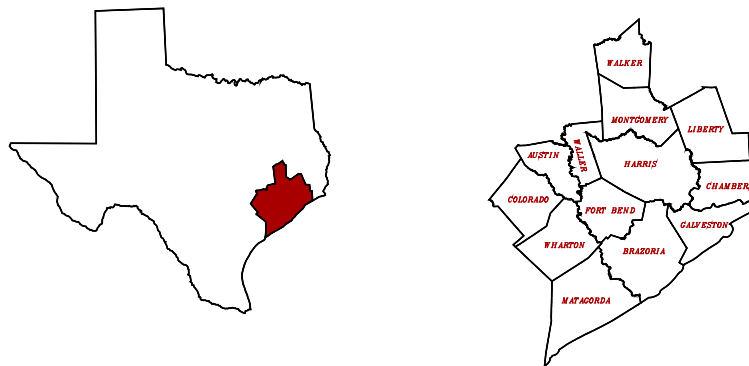
The Comprehensive Annual Financial Report (CAFR) of the Houston-Galveston Area Council, (the “Council” or “H-GAC”) for the fiscal year ended December 31, 2018 is hereby submitted. This report was prepared by the Department of Finance, which accepts responsibility for the accuracy, completeness, and fairness of the data presented. To provide a reasonable basis for making these representations, management of the Houston-Galveston Area Council has established a comprehensive framework of internal controls that is designed to protect H-GAC from loss and allow the compilation of reliable information to prepare the attached financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”). It should be noted that reasonable internal control measures weigh the cost of those procedures against their benefits and H-GAC’s internal control measures provide reasonable but not absolute assurance that the financial statements are free of material misstatement. We believe the data, as presented, is accurate in all material respects, that it properly reflects the financial position and the results of operation of the Council, and that all disclosures have been made to enable the reader to acquire the maximum understanding of financial affairs concerning the Council. These financial statements are presented annually in compliance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Texas Uniform Grant Management Standards* as well as Section 9 of the Council’s Bylaws. WhitleyPenn Certified Public Accountants have issued an unmodified opinion, sometimes referred to as a “clean” opinion on the H-GAC financial statements included herein. This report is located on page 13 at the front of the financial section of the report.

The Council has prepared Management’s discussion and analysis (MD&A) which immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. This MD&A is intended to complement this letter of transmittal and should be read in conjunction with it.

Profile of the Houston-Galveston Area Council

On September 9, 1966, a regional planning commission known as the Houston-Galveston Area Council was created under authority of State Law now recodified as Local Government Code, Chapter 391. The Council is a voluntary membership organization of local governments in a thirteen-county region of Southeast Texas. The organization is one of 24 regional councils in Texas. Local governments created H-GAC to develop a systematic method of evaluating and addressing common concerns that affect several governmental jurisdictions. Cooperative efforts to resolve regional issues such as employment, water and air pollution, crime, traffic and mobility, drainage and flooding, care of the elderly, and waste disposal have received collective action through H-GAC. The Council continues to be dedicated to improving the quality of life of the citizens of the region through cooperative efforts to enhance the physical, social, and economic environment.

H-GAC is governed by a General Assembly of 131 delegates from member local governments. A Board of Directors composed of 36 locally elected officials, members representing county governments, cities, and school districts provide more specific guidance and policy-making through its regular monthly meetings. During 2018, H-GAC's membership was comprised of the 13 county governments, 107 cities, and 11 school districts, including all major general-purpose local governments in the region. According to 2010 estimates from the U.S. Bureau of Census, these member governments represented approximately 6.1 million citizens and covered an area of 12,500 square miles. Below is a graphic representation of the H-GAC region and its location in the state of Texas.



Economic Condition and Outlook



The Texas economy continues to lead the nation in economic growth. While nationally, the economy did well in 2018, in Texas the economy showed unprecedented strength. According to the Federal Reserve Bank of Dallas, “annualized job growth in the first 10 months of 2018 was a robust 2.4 percent—well ahead of the nation’s 1.7 percent annualized increase.” Texas’ central U.S. location and its border with Mexico have boosted the concentration of the transportation and logistics industry. Texas is the largest exporting

state in the nation, and it is home to two large commercial airlines, a major railroad and two of the nation's busiest ports—Houston, a seaport, and Laredo, an inland port of entry. As Texas goes, so goes the H-GAC region. As of 2018, Houston had 21 Fortune 500 headquarters, 17 of which are related to oil and gas extraction and processing. The health services cluster, accounting for 10.7 percent of Houston's workforce, has also grown significantly in recent years. Two of the area's largest employers, with more than 20,000 workers each, are Memorial Hermann Health System and the University of Texas MD Anderson Cancer Center.

Major Initiatives

Workforce Services

Economic growth brings jobs to the region, and the Gulf Coast Workforce Board, staffed by H-GAC, assists individuals seeking employment or those wishing to change jobs or careers. In 2018, this program assisted more than 23,000 employers find candidates to help fill approximately 116,000 job opportunities.



To assist individuals looking for work, H-GAC, through the Gulf Coast Workforce Board, offered 22,000 adults basic and secondary education, English language and literacy training, occupational skills training, workforce preparedness, and civics instruction.

Cooperative Purchasing

H-GAC administers a government-to-government procurement service nationwide to assist local governments in their procurement needs. The program provides a more efficient and effective procurement process for local governments when buying goods and services through standardized procurements and volume discounting. During 2018, HGAC Buy processed over \$1.7 billion in orders for times like fleet vehicles, fire trucks, street sweepers, and other capital equipment and services. This results in significant savings to local governments not just in our region but nationwide.

Water Resources

H-GAC runs several water resource programs and initiatives in cooperation with local communities and state and federal agencies. Activities range from identifying and resolving water quality issues to replacing failing septic tanks in rural communities. A major initiative of this program is the award-winning Rivers, Lakes, Bays 'N Bayous Trash Bash which brings out thousands of volunteers annually and collected over 9,000 pounds of trash from the waterways in 2018.



Transportation Improvement

The Houston-Galveston region will add more than 4 million people and nearly 2 million jobs by 2045. Updated every 4 years, the Regional Transportation Plan identifies highway, transit and other transportation investments needed to keep up with such explosive growth. Current studies and plan development are underway for the 2045 Regional Transportation Plan. Serving today and planning for tomorrow is the mission statement of H-GAC and continues to be the focus of the transportation program.



Financial Planning and Policies

The Board of Directors approves a government-wide financial plan for revenues and expenditures each year at its December meeting. This plan includes both restricted and unrestricted revenue sources. The restricted revenue sources (contracts and grants) often span more than one fiscal year. Estimates are made by management on the timing of these revenues and are reflected in the appropriate fiscal year financial plan. H-GAC recognizes that the financial plan must be flexible enough to adjust for revenues that do not materialize and capitalize on unforeseen opportunities as they occur. Therefore, throughout the year, the Board of Directors approves amendments to the financial plan when funding changes become known. The financial plan adopted is on a basis consistent with generally accepted accounting principles. Control of the financial plan is maintained at the project level with management authorized to make transfers of budgeted amounts between object class levels within a project as allowed by grantor agencies.

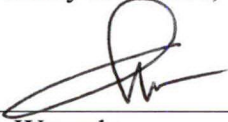
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Houston-Galveston Area Council for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2017. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

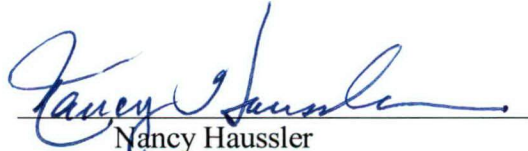
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report could not have been accomplished without the dedication and efficiency of the Council's Financial, Administrative, and Program management staff. Special acknowledgement should also be given to the Council's auditors, WhitleyPenn whose expertise lent greatly this report's completion. Finally, we would like to thank the members of the Board of Directors for their interest and support in planning and conducting the financial operations of the Council in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'CW', written over a horizontal line.

Chuck Wemple
Executive Director

A handwritten signature in blue ink, appearing to be 'Nancy Haussler', written over a horizontal line.

Nancy Haussler
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Houston-Galveston Area Council
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

HOUSTON-GALVESTON AREA COUNCIL PRINCIPAL OFFICIALS

OFFICERS OF THE BOARD OF DIRECTORS 2018

CHAIR
Council Member Floyd Emery
City of Missouri City

VICE CHAIR
Council Member Nancy Arnold
City of Waller

CHAIR ELECT
Commissioner Stacy Adams
Brazoria County

ADMINISTRATIVE STAFF

Executive Director	Chuck Wemple
Chief Financial Officer	Nancy Haussler
Director of Internal Audit	Charles Hill
Director of Intergovernmental Relations	Rick Guerrero

H-GAC MEMBER GOVERNMENTS

Counties

Austin	Fort Bend	Matagorda	Wharton
Brazoria	Galveston	Montgomery	
Chambers	Harris	Walker	
Colorado	Liberty	Waller	

Cities over 25,000 Population

Baytown	Houston	Missouri City	Texas City
Conroe	Huntsville	Pasadena	
Deer Park	La Porte	Pearland	
Friendswood	Lake Jackson	Rosenberg	
Galveston	League City	Sugar Land	

Home Rule Cities

Alvin	Freeport	La Marque	Seabrook
Angleton	Fulshear	Liberty	Sealy
Bay City	Galena Park	Manvel	Stafford
Bellaire	Hempstead	Nassau Bay	Sweeny
Cleveland	Hitchcock	Palacios	Tomball
Clute	Humble	Prairie View	Webster
Dayton	Jacinto City	Richmond	West University Place
Dickinson	Jersey Village	Richwood	Wharton
El Campo	Katy	Santa Fe	Willis

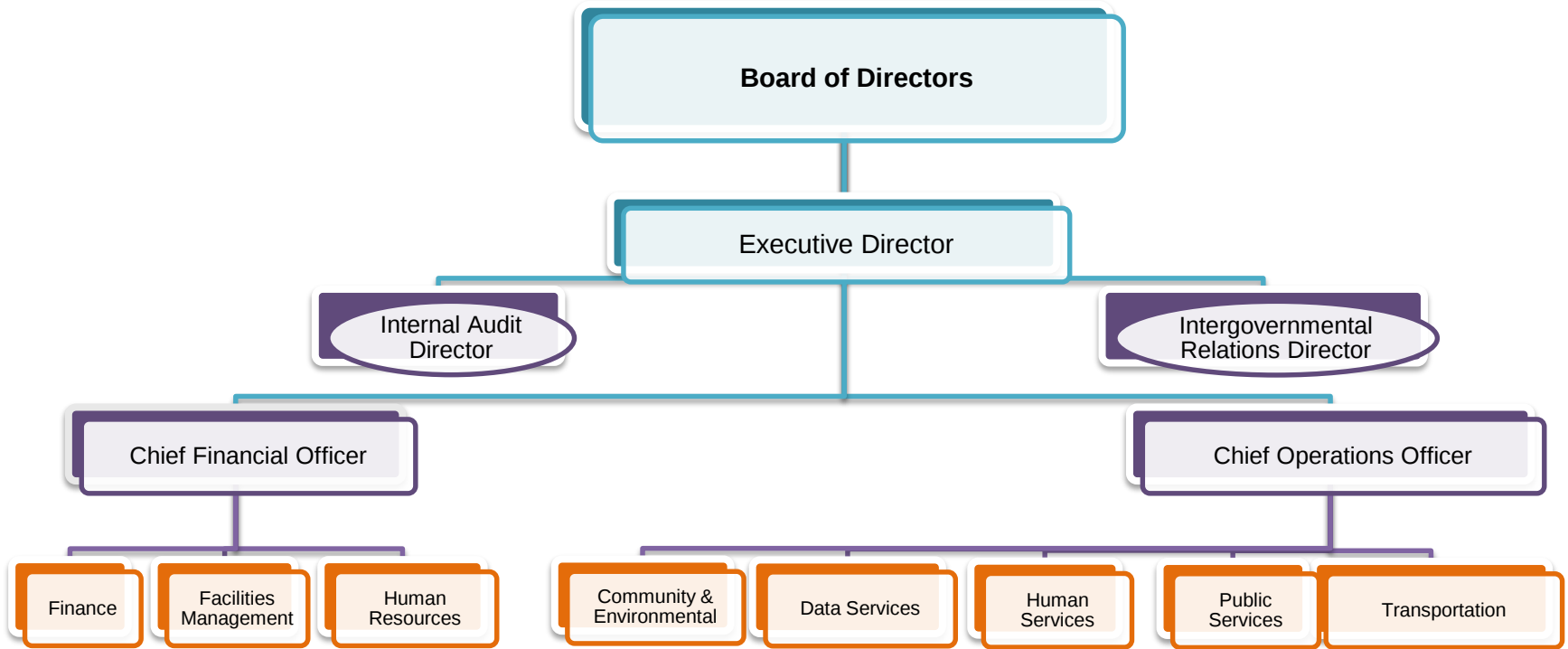
General Law Cities

Anahuac	East Bernard	Morgan's Point	Splendora
Arcola	El Lago	Needville	Spring Valley
Bayou Vista	Hedwig Village	New Waverly	Stagecoach
Beach City	Hillcrest Village	Oak Ridge North	Surfside Beach
Bellville	Holiday Lakes	Old River Winfree	Taylor Lake Village
Brazoria	Hunters Creek Village	Oyster Creek	Thompsons
Brookshire	Iowa Colony	Panorama Village	Tiki Island
Brookside Village	Jamaica Beach	Pattison	Waller
Bunker Hill Village	Jones Creek	Pine Point Village	Wallis
Clear Lake Shores	Kemah	Riverside	Weimar
Columbus	Kendleton	San Felipe	West Columbia
Daisetta	Magnolia	Shenandoah	Weston Lakes
Danbury	Meadows Place	Shoreacres	
Eagle Lake	Mont Belvieu	South Houston	

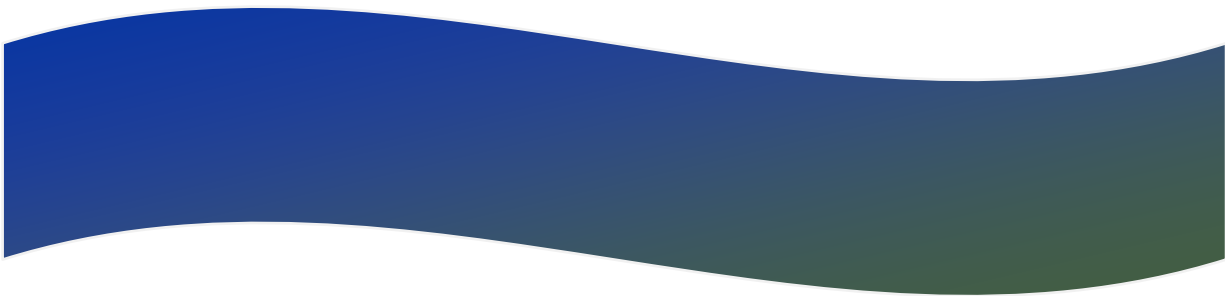
Independent School Districts

Alief ISD	Hempstead ISD	Needville ISD
Columbia-Brazoria ISD	Hitchcock ISD	Pearland ISD
Deer Park ISD	Huntsville ISD	Waller ISD
Fort Bend ISD	Magnolia ISD	

Houston-Galveston Area Council



Financial Section



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Houston-Galveston Area Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Houston-Galveston Area Council (the "Council"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Council, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 to 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The introductory section, the Supplemental Information as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State awards is also presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas *Uniform Grant Management Standards* and is also not a required part of the basic financial statements.

The Supplemental Information and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information and the Schedules of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Directors
Houston-Galveston Area Council

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report date June 4, 2019 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Council's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
June 4, 2019

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HOUSTON-GALVESTON AREA COUNCIL

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the Houston-Galveston Area Council ("H-GAC" or "the Council") for the year ended December 31, 2018. This analysis is prepared by the Finance department of the H-GAC and is intended to expand the reader's understanding of the attached financial statements and the effect of certain events on those financial statements.

1. FINANCIAL HIGHLIGHTS

- The assets of H-GAC exceed its liabilities by \$34,788,220 on which \$25,686,407 is available to meet the Council's ongoing obligations to local governments and creditors.
- H-GAC's net position increased by \$1,156,825 during the year ended December 31, 2018.
- At the end of the year, the nonspendable fund balance and unassigned fund balance are \$210,135 and \$10,227,449, respectively.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

The H-GAC financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes additional supplementary information that is not a required part of the financial statements themselves.

Government-wide financial statements. Included in this report are the Statement of Net Position and the Statement of Activities. These statements present the results of operation on a comprehensive basis utilizing the full accrual accounting methodology. This methodology requires that changes in net position be reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the H-GAC that are principally supported by grants (governmental activities) from other functions such as the Cooperative Purchasing, the Energy Purchasing Corporation, and the Local Development Corporation activities that are supported by user fees (business-type activities). The governmental activities include the activities of the general government, general government overhead, and all grant related activities. The business-type activities include the Cooperative Purchasing program. The Energy Purchasing Corporation, Gulf Coast Economic Development Corporation and the Local Development Corporation are presented as separate component units to the H-GAC because their governing bodies consist of members of H-GAC's Board of Directors or appointed by H-GAC's Board of Directors.

The statement of net position presents information on all H-GAC's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the H-GAC is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the most recent fiscal year.

Fund financial statements. A fund is a grouping of related accounts that have been segregated to maintain control over resources and achieve specific objectives. H-GAC uses fund accounting to identify resources that have specific compliance requirements, such as grant programs, and demonstrate adherence to finance-related legal requirements. H-GAC maintains three fund types: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental Funds. Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements, except that they are presented on the modified accrual basis of accounting which requires that revenues be recorded when measurable and available. Expenditures are recorded when the services or goods are received and the liabilities incurred. Thus, the focus of these statements is on the near-term inflows and outflows of spendable resources and the balances of spendable resources available at the end of the year.

Comparison between the governmental activities in the government-wide financial statements and the information presented in the governmental funds statements allows the reader to better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental

fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

H-GAC maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the grant fund, the Regional Excellence Corporation, and the Gulf Coast Regional Emergency Communications District. Both the Regional Excellence Corporation and the Gulf Coast Regional Emergency Communications District are blended component units presented as governmental funds.

H-GAC adopts an annual budget for its general fund and component units in December of each year. Grant fund budgets are reviewed and approved by the Board of Directors within the context of the annual budget. Throughout the year the budget is amended as grant funds become available or lapse. Although the budgets are reviewed and approved by H-GAC's Board, they are not considered legally adopted budgets or appropriations.

Proprietary Funds. H-GAC had only one type of proprietary fund during fiscal year 2018. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Unlike governmental funds, enterprise funds are maintained on the full accrual basis of accounting as are the government-wide financial statements, therefore, no reconciliation between the statements is necessary. H-GAC records the activities of its Cooperative Purchasing program in the enterprise fund.

Fiduciary Funds. The fiduciary funds administered by H-GAC consist of the 401K pension trust fund for H-GAC's employee retirement plan and an agency fund for the Air Emission Reduction Credit Organization ("AERCO"). AERCO was created to promote the coexistence of air quality improvement and economic development within the region. H-GAC serves as the custodian of funds received due to air emission credits and uses those funds to offset new emission requirements for major industrial modifications, economic development, or to reduce emissions to meet federal reduction requirements. This fund, like the proprietary funds, is presented on the full accrual basis of accounting. Fiduciary funds are not presented in the government-wide financial statements as these funds are restricted and are not available to support the programs of H-GAC. The pension plan is audited separately and a copy of this report is available by requesting the same from H-GAC, P.O. Box 22777, Houston, TX 77227-2777.

Notes to the financial statements. The notes to the financial statements are an integral part of understanding both the government-wide financial statements and the fund financial statements.

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

H-GAC's assets exceed liabilities by \$34,788,220 at the close of the most recent year, 2018 which is an increase over 2017. Approximately 2.2% of the Council's net position is invested in capital investments. These capital investments are within the office facilities of H-GAC to provide service and do not represent funds available for future spending. Most of the increases to net position came from increased revenues over expenses in the business-type activities from the prior year. There was restricted net position of \$8,323,514 at the end of the year. The balance of unrestricted net position in 2018 of \$25,686,407 may be used to meet H-GAC's ongoing obligations.

HOUSTON-GALVESTON AREA COUNCIL CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	\$ 62,373,528	\$ 75,106,948	\$ 16,405,712	\$ 15,300,640	\$ 78,779,240	\$ 90,407,588
Capital Assets, Net	807,349	1,170,253	-	-	807,349	1,170,253
Total Assets	63,180,877	76,277,201	16,405,712	15,300,640	79,586,589	91,577,841
Liabilities						
Current and Other Liabilities	44,619,873	57,662,135	172,697	255,261	44,792,570	57,917,396
Long-Term Liabilities	5,799	29,050			5,799	29,050
Total Liabilities	44,625,672	57,691,185	172,697	255,261	44,798,369	57,946,446
Net Position						
Net Investment in Capital Assets	778,299	1,101,084	-	-	778,299	1,101,084
Restricted for:						
EPA RLF Program	6,393,395	7,121,000			6,393,395	7,121,000
Regional Excellence Corp	280,011	354,100			280,011	354,100
Gulf Coast 911 Reg District	1,650,108	1,007,662	-	-	1,650,108	1,007,662
Unrestricted	9,453,392	9,002,170	16,233,015	15,045,379	25,686,407	24,047,549
Total Net Position	\$ 18,555,205	\$ 18,586,016	\$ 16,233,015	\$ 15,045,379	\$ 34,788,220	33,631,395

Statement of Activities

H-GAC's net position increased by \$1,156,825 for the year. This reflects a decrease in net position for governmental activities of \$30,811 and an increase in net position in business-type activities of \$1,187,636. The change in net position in governmental activities represents a 0.2% decrease of net position for governmental activities and the change in net position in the business-type activities represents a 7.9% increase in net position for this activity. Overall, H-GAC increased net position by 3.4%. Key elements of the increase along with percentage analysis are as follows:

HOUSTON-GALVESTON AREA COUNCIL CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total		Percent	
	2018	2017	2018	2017	2018	2017	2018	2017
Program Revenues								
Charges for Services	2,556,832	2,079,158	4,898,445	5,801,768	7,455,277	7,880,926	2.23%	2.65%
Operating Grants and Contr	326,678,493	288,363,857			326,678,493	288,363,857	97.54%	97.07%
General Revenues								
Interest Income	331,766	58,491			331,766	58,491	0.10%	0.02%
Other Income	447,179	751,573			447,179	751,573	0.13%	0.25%
Transfer In	175,000	100,000	(175,000)	(100,000)	-	-	0.00%	0.00%
Total Revenues	330,189,270	291,353,079	4,723,445	5,701,768	334,912,715	297,054,847	100.00%	100.00%
Expenses								
General Government	2,997,276	2,615,725			2,997,276	2,615,725	0.90%	0.92%
Workforce Programs	273,118,245	232,028,757			273,118,245	232,028,757	81.83%	81.43%
Transportation	22,502,463	28,150,854			22,502,463	28,150,854	6.74%	9.88%
Community and Environ	16,158,934	13,305,656			16,158,934	13,305,656	4.84%	4.67%
Criminal Justice	1,232,945	1,356,078			1,232,945	1,356,078	0.37%	0.48%
Aging Services	11,131,671	10,521,725			11,131,671	10,521,725	3.34%	3.57%
Reg Excellence Corp	145,893	122,317			145,893	122,317	0.04%	0.04%
Gulf Coast 911 Reg Dist	2,932,655	2,841,896			2,932,655	2,841,896	0.88%	1.00%
Cooperative Purchasing			3,535,809	3,490,530	3,535,809	3,490,530	1.06%	1.23%
Total Expenses	330,220,082	290,943,008	3,535,809	3,490,530	333,755,891	284,933,538	100.00%	100.00%
Change in Net Position	(30,811)	410,072	1,187,636	2,211,238	1,156,825	2,621,310		
Net Position-Beginning of Yr	18,586,016	18,175,944	15,045,379	12,834,141	33,631,395	31,010,085		
Net Position-End of Yr	18,555,205	18,586,016	16,233,015	15,045,379	34,631,395	33,631,395		

The H-GAC operates primarily from grant and contract revenues; therefore, increases in expenses closely parallel increases in grant and contract funding for services.

Business-type activities

The Cooperative Purchasing program was established in 1973 to assist local governments in their purchasing and procurement needs. Through aggregation of individual purchases into a single procurement, volume discounts can be achieved.

The program is influenced by market conditions. The Cooperative Purchasing program deals primarily in the acquisition of capital assets. In 2017 and 2018, revenue in this program was \$5,801,768 and \$4,898,445 respectively. During the year, operating expenses for the program increased 1.30% and revenues decreased 15.6%. The combined result was reflected in an increase to net position of \$1,187,636 or 7.9%. By comparison, the increase in 2017 was \$2,211,238 or 17.2%.

Business-Type Expenses	2018 Amount	2017 Amount	Increase (Decrease) from 2017	Increase (Decrease)
Personnel and Benefits	\$ 2,817,211	\$ 2,654,397	\$ 162,814	4.66%
Consultant and Contract Svcs	107,205	139,895	(32,690)	(0.94%)
Equipment Rental and Leases	34,031	21,229	12,802	0.37%
Lease of Office Space	206,529	211,371	(4,842)	(0.14%)
Travel	52,378	59,930	(7,552)	(0.22%)
Other	318,455	403,708	(85,253)	(2.44%)
Total Expenses	<u>\$ 3,535,809</u>	<u>\$ 3,490,530</u>	<u>\$ 45,279</u>	<u>1.30%</u>

4. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As stated previously, H-GAC uses fund accounting to ensure and demonstrate compliance with legal requirements imposed by grantors. The following is a discussion of the funds used at H-GAC and key elements in each fund.

Governmental Funds

Governmental funds are presented on the modified accrual basis of accounting. This measurement focus emphasizes the inflows, outflows and available resources in the near term. This information is desirable in evaluating H-GAC's financing requirements. Specifically, the unassigned balance represents H-GAC's available resources at the end of the year.

H-GAC's general fund balance for year 2018 is \$10,437,584. Included in this fund balance is \$210,135 which has been identified for prepaid items and is nonspendable. The balance of \$10,227,449 is available for use at H-GAC's discretion.

The general fund balance of H-GAC increased by \$509,301. The general fund is the primary operating fund for H-GAC. The grant fund, used to account for all grant programs and other revenues whose use is restricted for a specific purpose had a fund balance of \$6,393,395 at the end of the year.

Also included in the governmental funds is the Regional Excellence Corporation, a blended component unit of the H-GAC established in 2004 to support programs and initiatives of the organization through private sector contributions. All board members of the Corporation serve in a dual capacity as both a board member of H-GAC and a board member of the corporation. In 2018 the corporation had cash and pledged contributions of \$71,804 and expenditures of \$145,893. The corporation's bylaws restrict the use of these funds.

Additionally, in February 2016, the H-GAC Board of Directors established the Gulf Coast Regional Emergency Communications District, a blended component unit of H-GAC, to provide administrative support and coordination of emergency communications in Brazoria, Chambers, Colorado, Liberty, Matagorda, Walker, Waller, and Wharton counties including all cities therein. All board members of the District serve in a dual capacity as both a board member of the H-GAC and a board member of the District. In 2018, the District had income of \$3,575,101 and expenditures of \$2,932,655. The District's bylaws restrict the use of these funds.

Proprietary Funds

The proprietary fund of H-GAC is composed of the Cooperative Purchasing enterprise fund. As mentioned previously, the measurement focus for the fund statements is identical to the government-wide statements. It is the policy of H-GAC to associate net

position to the activities generating the net position. The remaining net position is available to meet future needs as directed by the Board of Directors.

5. CAPITAL ASSET ADMINISTRATION

H-GAC's investment in capital assets for governmental activities amount to \$1,170,253 and \$807,349 (net of depreciation) for fiscal years ended December 31, 2017 and 2018 respectively. This investment in capital assets includes equipment, furniture, and fixtures. Additional information on H-GAC's capital assets and capital leases can be found in footnote 6 and 8, respectively, of this report. H-GAC does not own any real property.

During 2018, H-GAC acquired a variety of assets. The Council has a capitalization threshold of \$5,000, in accordance with federal requirements. The following table identifies the additions and retirements of depreciable assets for both the governmental and business-type activities. Beginning balances are net of depreciation. The accumulated depreciation column below reflects the net effect of depreciation expense for the year and the recovery of depreciation upon retirement of assets.

HOUSTON-GALVESTON AREA COUNCIL CAPITAL ASSET ANALYSIS

	Beginning Balance	Additions	Retirements	Depreciation Expenses	Ending Balance
Governmental Activities					
Equipment, furniture and fixtures	\$1,170,253	\$128,747	\$0	\$(491,651)	\$807,349
Totals	<u>\$1,170,253</u>	<u>\$128,747</u>	<u>\$0</u>	<u>\$(491,651)</u>	<u>\$807,349</u>

6. DEBT ADMINISTRATION

Debt considered a liability of governmental activities consists of capital lease obligations and compensated absences. Debt balances related to capital leases in 2018 were \$29,050. Compensated absences increased by \$58,079 in 2018, finishing the year with an ending balance of \$984,192. Further information on the Council's debt can be found in Capital Lease Note 8 to the financial statements.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- H-GAC membership dues are based on the federal 10-year census and are calculated on population. For FY2019 the per-capita membership revenue is estimated at \$395,538. This is the same as the budget for 2018.
- H-GAC increased estimated revenues and corresponding expenses by \$13,972,508 for 2019. The budget reflects increases mainly in Workforce, Transportation programs and decreases in Community & Environmental program of \$15,761,542, \$10,975,482, and \$13,518,736 respectively. The increase in Workforce programs is attributable primarily to the additional funding in Child Care Services (\$13,389,537), and Adult Literacy (\$582,971). These programs provide placement, career information and supportive services to area residents and provide literacy instruction, basic education, and integrated basic and occupational skill training to adults throughout the region. The increase in Transportation programs is attributable to the new funding of the tow and go program; the initial implementation of a quick clearance program for stalled vehicles. The decrease in the Community & Environmental program is attributable to the completion of the funding cycle for housing and disaster recovery due to Ike and the funding for Harvey recovery was lower than anticipated.

These factors were considered in preparing the budget for the 2019 fiscal year

8. REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the H-GAC's finances for those with an interest in the Council's finances. Questions or comments regarding this report should be directed to Nancy Haussler, Chief Financial Officer, Houston-Galveston Area Council, P.O. Box 22777, Houston, TX 77227-2777.

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Energy Purchasing Corporation	Gulf Coast Economic Development Corporation	Local Development Corporation
ASSETS						
Cash and cash equivalents	\$ 38,930,608		\$ 38,930,608	\$ 207,411	534,074	\$ 2,602,940
Investments	8,259,360		8,259,360			309,285
Receivables, net	29,296,313	\$ 1,570,195	30,866,508		162,020	30,584
Notes Receivable	-		-		1,104,261	
Due from Component Units	512,629		512,629			
Internal balances	(14,835,517)	14,835,517				
Prepaid expenses	210,135		210,135			
Capital assets, net	807,349		807,349			
Total Assets	<u>63,180,877</u>	<u>16,405,712</u>	<u>79,586,589</u>	<u>207,411</u>	<u>1,800,355</u>	<u>2,942,809</u>
LIABILITIES						
Accounts payable and accrued expenses	4,332,020	20,478	4,352,498			
Unearned revenues	20,370,328	152,219	20,522,547			
Due to grantee agencies	18,910,082		18,910,082			
Due to primary government				50,352	200,778	261,499
Long Term Liabilities						
Due within one year	984,192		984,192			
Due more than one year						
Obligation of capital leases:						
Due within one year	23,251		23,251			
Due more than one year	5,799		5,799			
Total Liabilities	<u>44,625,672</u>	<u>172,697</u>	<u>44,798,369</u>	<u>50,352</u>	<u>200,778</u>	<u>261,499</u>
NET POSITION						
Net investment in capital assets	778,299		778,299			
Restricted for:						
EPA RLF Program	6,393,395		6,393,395			
Regional Excellence Corporation	280,011		280,011			
Gulf Coast 911Regional District	1,650,108		1,650,108			
EDA RLF Program					1,599,577	
Local Development Corporation						2,681,310
Unrestricted	9,453,392	16,233,015	25,686,407	157,060		
Total Net Position	<u>\$ 18,555,205</u>	<u>\$ 16,233,015</u>	<u>\$ 34,788,220</u>	<u>\$ 157,060</u>	<u>\$ 1,599,577</u>	<u>\$ 2,681,310</u>

See accompanying notes to the financial statements

HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit		
			Charges for Services	Operating Grants and Contributions	Primary Government		Total	Energy Purchasing Corporation	Gulf Coast Economic Development Corporation	Local Development Corporation
					Governmental Activities	Business-type Activities				
Primary government:										
Governmental activities:										
General government	\$ 5,148,359	\$ (2,202,453)	\$ 2,556,832		\$ (389,073)		\$ (389,073)			
Workforce programs	272,541,639	576,606		\$ 273,092,625	(25,620)		(25,620)			
Transportation	21,709,747	792,716		21,769,787	(732,676)		(732,676)			
Community and environmental	15,894,238	264,696		16,049,872	(109,062)		(109,062)			
Criminal justice	1,168,042	64,903		1,200,633	(32,312)		(32,312)			
Aging services	10,920,823	210,848		10,918,671	(213,000)		(213,000)			
Regional Excellence Corporation	145,893			71,804	(74,089)		(74,089)			
Gulf Coast 911 Regional District	2,932,655			3,575,101	642,446		642,446			
Total governmental activities	<u>330,461,396</u>	<u>(292,684)</u>	<u>2,556,832</u>	<u>326,678,493</u>	<u>(933,386)</u>		<u>(933,386)</u>			
Business-type activities-										
Cooperative purchasing	3,243,125	292,684	4,898,445			\$ 1,362,636	1,362,636			
Total business-type activities	<u>3,243,125</u>	<u>292,684</u>	<u>4,898,445</u>			<u>1,362,636</u>	<u>1,362,636</u>			
Total primary government	<u>\$ 333,704,521</u>	<u>\$ -</u>	<u>\$ 7,455,277</u>	<u>\$ 326,678,493</u>	<u>(933,386)</u>	<u>1,362,636</u>	<u>429,250</u>			
Component units:										
Energy Purchasing Corporation	82,805		141,382				\$ 58,577			
Gulf Coast Economic Development Corporation	179,507			201,701				\$ 22,194		
Local Development Corporation	454,184		481,211						\$ 27,027	
Total component units	<u>\$ 716,496</u>		<u>\$ 622,593</u>	<u>\$ 201,701</u>			<u>\$ 58,577</u>	<u>\$ 22,194</u>	<u>\$ 27,027</u>	
General revenues:										
Interest income					331,766		331,766			
Miscellaneous income					395,808		395,808			
Transfers					175,000	(175,000)				
Total general revenues and transfers					902,574	(175,000)	727,574	-	-	-
Change in net position					(30,812)	1,187,636	1,156,824	58,577	22,194	27,027
Net position - beginning					18,586,016	15,045,379	33,631,395	98,483	1,577,383	2,654,283
Net position - ending					<u>\$ 18,555,204</u>	<u>\$ 16,233,015</u>	<u>\$ 34,788,219</u>	<u>\$ 157,060</u>	<u>\$ 1,599,577</u>	<u>\$ 2,681,310</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Grant Fund	Regional Excellence Corporation	Gulf Coast 911 Regional District	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 30,235,634	\$ 5,910,613	\$ 442,557	\$ 2,341,804	\$ 38,930,608
Investments	8,259,360				8,259,360
Receivables	765,796	28,507,813	22,704		29,296,313
Due from other funds	2,522,226	16,233,415			18,755,641
Due from component unit	512,629				512,629
Prepaid items	210,135				210,135
Total assets	<u>\$ 42,505,780</u>	<u>\$ 50,651,841</u>	<u>\$ 465,261</u>	<u>\$ 2,341,804</u>	<u>\$ 95,964,686</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	727,786	3,418,984	185,250		4,332,020
Unearned revenue	96,478	20,273,850			20,370,328
Due to grantee agencies		18,910,082			18,910,082
Due to other funds	31,243,932	1,655,530		691,696	33,591,158
Total liabilities	<u>32,068,196</u>	<u>44,258,446</u>	<u>185,250</u>	<u>691,696</u>	<u>77,203,588</u>
Fund balance-					
Nonspendable	210,135				210,135
Unassigned	10,227,449				10,227,449
Restricted for:					
EPA RLF Program		6,393,395			6,393,395
Regional Excellence Corporation			280,011		280,011
Gulf Coast 911 Regional District				1,650,108	1,650,108
Total fund balance	<u>10,437,584</u>	<u>6,393,395</u>	<u>280,011</u>	<u>1,650,108</u>	<u>18,761,098</u>
Total liabilities and fund balance	<u>\$ 42,505,780</u>	<u>\$ 50,651,841</u>	<u>\$ 465,261</u>	<u>\$ 2,341,804</u>	<u>\$ 95,964,686</u>

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	807,349
Compensated absences of governmental activities are not due and payable in the current period and, therefore, are not reported in the funds	(984,192)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds-capital leases	<u>(29,050)</u>
Net position of governmental activities	<u>\$ 18,555,205</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Grant Fund	Regional Excellence Corporation	Gulf Coast 911 Regional District	Total Governmental Funds
Revenues					
Interest income	\$ 331,766				\$ 331,766
Membership dues	299,061				299,061
Interlocal contracts	729,253				729,253
Data services and imaging	1,528,519				1,528,519
Miscellaneous income	395,808				395,808
From grantor agencies		\$ 323,031,588	\$ 71,804	\$ 3,575,101	326,678,493
Total revenues	<u>3,284,407</u>	<u>323,031,588</u>	<u>71,804</u>	<u>3,575,101</u>	<u>329,962,900</u>
Expenditures					
Current:					
General government	2,851,529				2,851,529
Workforce programs		272,976,282			272,976,282
Transportation		22,335,672			22,335,672
Community and environmental		16,173,588			16,173,588
Criminal justice/Homeland security		1,187,393			1,187,393
Aging services		11,088,653			11,088,653
Regional Excellence Corporation			145,893		145,893
Gulf Coast 911 Emergency District				2,932,655	2,932,655
Capital outlay:					
General government	55,206				55,206
Debt service:					
Principal	40,118				40,118
Interest	859				859
Total expenditures	<u>2,947,712</u>	<u>323,761,588</u>	<u>145,893</u>	<u>2,932,655</u>	<u>329,787,848</u>
Excess (deficiency) of revenues over expenditures	<u>336,695</u>	<u>(730,000)</u>	<u>(74,089)</u>	<u>642,446</u>	<u>175,052</u>
Other Financing Sources (Uses)					
Transfers in (out)	172,606	2,394			175,000
Total other financing sources & (uses)	<u>172,606</u>	<u>2,394</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
Change in fund balance	509,301	(727,606)	(74,089)	642,446	350,053
Fund balance - beginning	<u>9,928,283</u>	<u>7,121,000</u>	<u>354,100</u>	<u>1,007,662</u>	<u>18,411,045</u>
Fund balance - ending	<u>\$ 10,437,584</u>	<u>\$ 6,393,394</u>	<u>\$ 280,011</u>	<u>\$ 1,650,108</u>	<u>\$ 18,761,098</u>

See accompanying notes to the financial statements

HOUSTON-GALVESTON AREA COUNCIL
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balances-total governmental funds	<u>\$ 350,053</u>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	128,747
Depreciation expense	<u>(491,650)</u>
Excess of depreciation over capital outlay expense	<u>(362,903)</u>

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

This activity consists of -

Increase in compensated absences	(58,079)
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Principal payment for capital lease in 2018	<u>40,118</u>
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Change in net position of governmental activities	<u><u>\$ (30,811)</u></u>
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See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018**

	Cooperative Purchasing
ASSETS	
Current assets	
Accounts receivable	\$ 1,570,195
Due from general fund	14,835,517
Total current assets	<u>16,405,712</u>
Noncurrent assets	
Property & equipment	194,196
Less accumulated depreciation	<u>(194,196)</u>
Total noncurrent assets	<u>-</u>
Total assets	<u>16,405,712</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	20,478
Unearned revenues	152,219
Total current liabilities	<u>172,697</u>
Total liabilities	<u>172,697</u>
NET POSITION	
Unrestricted	16,233,015
Total net position	<u><u>\$ 16,233,015</u></u>

See accompanying notes to the financial statements

HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Cooperative Purchasing
REVENUES	
Charges for services	\$ 4,898,445
Total revenues	4,898,445
OPERATING EXPENSES	
Personnel and benefits	2,817,211
Consultant and contract services	107,205
Equipment rental and leases	34,031
Lease of office space	206,529
Travel	52,378
Other	318,455
Total expenses	3,535,809
Operating Income	1,362,636
Transfers	(175,000)
Change in net position	1,187,636
Net position - beginning	15,045,379
Net position - ending	\$ 16,233,015

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018**

	<u>Cooperative Purchasing</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,776,236
Cash payments to employees for services	(2,817,211)
Cash payments to suppliers for goods and services	(172,632)
Cash payments for operating expenses	(611,393)
Cash provided (used) by operating activities	<u>175,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to general fund	(175,000)
Net cash used by noncapital financing activities	<u>\$ (175,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 1,362,636
Change in assets and liabilities:	
Decrease (increase) in customer receivable	98,476
Decrease (increase) in interfund receivable	(1,203,548)
Increase (decrease) in accounts payable	(65,427)
Increase (decrease) in unearned revenue	(17,137)
Net cash provided (used) by operating activities	<u>\$ 175,000</u>

See accompanying notes to the financial statements

**HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018**

	Pension Plan Trust	Agency Fund
	Retirement Plan 2018	Area Emission Reduction Credit Organization 2018
ASSETS		
Cash		\$ 4,024,879
Investments- at fair value:		
Mutual funds	\$ 28,452,284	
Money market funds	4,442,973	
Total investments, at fair value	32,895,257	
Receivables:		
Notes receivables from participants	776,482	
Total receivables	776,482	
Total assets	33,671,739	4,024,879
LIABILITIES		
Due to Others		4,024,879
Employee forfeitures due to employer	64,085	
Total liabilities	64,085	\$ 4,024,879
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	\$ 33,607,654	

See accompanying notes to financial statements

**RETIREMENT PLAN FOR THE EMPLOYEES OF
HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2018**

	2018
ADDITIONS	
Contributions:	
Participants	\$ 1,263,961
Employer	1,083,712
Total contributions	<u>2,347,673</u>
Investment earnings:	
Net appreciation in the fair value of investments	(3,354,828)
Interest and dividends	1,939,010
Total net investment earnings	<u>(1,415,818)</u>
Total additions	<u>931,855</u>
 DEDUCTIONS	
Benefit payments	4,694,786
Administrative expenses	1,841
Total deductions	<u>4,696,627</u>
Change in net position	(3,764,772)
Net position - beginning	<u>37,372,426</u>
Net position - ending	<u><u>\$ 33,607,654</u></u>

See accompanying notes to financial statements.

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HOUSTON-GALVESTON AREA COUNCIL

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

1. REPORTING ENTITY

The Houston-Galveston Area Council (“H-GAC”) is a voluntary association of local governments that administers planning and action programs from various federal, state, and local agencies for the benefit of citizens in a 13-county region in southeast Texas. H-GAC is governed by a 35-member Board of Directors (the “Board”) which has governance responsibilities over all activities of the organization. Members of the Board are selected to serve by elected officials from the various governmental entities belonging to H-GAC. The Board has the authority to make decisions and appoint administrators and managers. H-GAC is not included in any other governmental “reporting entity” as defined by the Government of Accounting Standards Board (“GASB”) Statement No. 14, “The Financial Reporting Entity.” H-GAC is a political subdivision of the State of Texas, created pursuant to state enabling legislation.

H-GAC’s financial statements include the accounts of all H-GAC functions and activities, including five component units, the H-GAC Energy Purchasing Corporation, the Houston-Galveston Local Development Corporation, the Gulf Coast Economic Development Corporation, the Corporation for Regional Excellence and the Gulf Coast 9-1-1 Regional District. Complete financial statements for each of the individual component units may be obtained at H-GAC’s administrative offices.

The accompanying financial statements present H-GAC and its component units.

Blended Component Unit: The Corporation for Regional Excellence was established by H-GAC in 2004. The purpose of the organization is to receive contributions that support the programs and services of H-GAC from entities that will only contribute to 501 (C) (3) organizations. All board members of the Corporation serve in a dual capacity as both a board member of H-GAC and a board member of the corporation. The Corporation is reported as a Special Revenue Fund.

On February 16, 2016 the Houston-Galveston Area Council Board of Directors established the Gulf Coast Regional Emergency Communications District

("GCRECD") as permitted under Chapter 772, Subchapter H, of the Texas Health and Safety Code. The District is governed by a Board of Managers consisting of at least one member from each county within the district, and each Board member serves conterminously as members of the H-GAC Board of Directors. The District is a political subdivision of the State of Texas and carries out essential governmental functions by providing high quality 9-1-1 emergency communications services to the seven participating jurisdictions within the District. Those participating counties include Brazoria, Chambers, Colorado, Liberty, Matagorda, Walker, Waller, and Wharton counties and all cities therein, except for any city served by another emergency communications district. The District is supported by mandatory fees charged and remitted from communication companies in the jurisdictions such as telephone companies and voice over internet providers, and revenues are used exclusively to provide support for the regional 9-1-1 system in the participating counties. The District is reported as a Special Revenue Fund.

Discretely Presented Component Units: The H-GAC Energy Purchasing Corporation's purpose is to serve as a licensed aggregator of electricity for local governments in the state of Texas by negotiating and administering electricity service contracts. Local governments pay an administrative fee to participate in the contracts. The Board of Directors is comprised of elected officials selected by the H-GAC Board of Directors who annually approve its budgets and obligations.

The Houston-Galveston Area Local Development Corporation ("LDC") was established to further economic development and social welfare by promoting and assisting growth and development of business concerns in the region. The Corporation is a certified development company by the U.S. Government Small Business Administration and assists small businesses in securing loans for the purpose of construction, conversion, or expansion, including the acquisition of land, existing buildings and leasehold improvements. The corporation receives a residual fee for its services on all funded loans. The twenty-seven member Board of Directors is comprised of representatives from local government, lending institutions and private business organizations selected by the H-GAC Board of Directors. The Corporation's bylaws further state that all assets of the Corporation revert to the Houston-Galveston Area Council upon dissolution. Additionally, in acknowledgment of the Council's involvement with the Corporation, the Corporation remits a management fee to the Houston-Galveston Area Council.

The H-GAC Gulf Coast Economic Development Corporation (“EDC”), a 501(C)(3) Corporation, was established in 1988 to address the regional needs of distressed economic growth areas. The EDC originally received economic development grants from the Federal Economic Development Administration to promote coordination among local economic development efforts on a region wide basis. The 28-member board is comprised of county government and city government appointees as well as private sector appointees nominated by HGAC. Developing plans that include the key strategies of promoting economic growth, increasing employment opportunities, and developing a regional Comprehensive Economic Development Strategy is the primary mission of the organization. In 2010, the EDC received a revolving loan grant from the EDA to further the economic development of the distressed areas of the region. H-GAC has primary responsibility for the Corporation’s assets including its cash assets and the use of those assets benefits the constituency that H-GAC serves. Additionally, the EDC has signed a management agreement with the H-GAC that conveys management of the EDC financial records to H-GAC. Finally, the agreement also stipulates that any financial match requirements imposed by the federal grantor will be provided by H-GAC.

Since H-GAC receives funding from local, state and federal government sources, it must comply with the requirements of these funding sources.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: Government-wide and Fund Financial Statements - The government-wide financial statements consist of the statement of net position and the statement of activities. These statements exclude inter-fund activity, and report information on all the non-fiduciary activities of the primary government. Inter-fund services provided and used are not eliminated in the process of consolidation. The statements segregate governmental activities from business-type activities. Governmental activities are normally supported by intergovernmental revenues and grants while business-type activities are supported by service fees or sales that are intended to recover all or a significant portion of their costs.

The statement of activities compares the direct expenses of a given function with the corresponding program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers

or applicants who purchase, use or directly benefit from goods services, or privileges provided by a function or segment and 2) contracts, grants and contributions that are restricted to meeting the operational requirement of a function or segment. Items not classified as program revenues are reported as general revenues.

Additional financial statements are presented for governmental, proprietary and fiduciary funds, although fiduciary funds are not included in the government-wide financial statements. These statements are organized based on funds that function as a separate entity with their own self-balancing accounts that comprise their assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Resources are accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities.

The H-GAC reports the following major governmental funds:

The *General Fund* is H-GAC's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The *Grant Fund* is a special revenue fund used to account for grant proceeds provided by various grantor agencies and is restricted in use by the awarding entity.

The *Regional Excellence Corporation* is a blended component unit established to support programs and initiatives of the H-GAC. The Corporation's bylaws restrict the use of these funds.

The *Gulf Coast Regional 9-1-1 District* is a blended component unit established to support 9-1-1 emergency communications services to the seven participating jurisdictions within the District. The District's bylaws restrict the use of these funds.

The H-GAC reports the following major enterprise fund:

The *Cooperative Purchasing* fund is used to account for the administrative fees derived from the assistance provided to other governments in acquiring capital assets and supplies.

Included in this report but not as part of the government-wide financial statements are the fiduciary fund statements for the Employee Retirement Plan Trust Fund and the Air Emission Reduction Credit Organization (“AERCO”) agency fund. The retirement plan trust fund accounts for the 401K pension plan for H-GAC employees. The AERCO promotes the coexistence of air quality improvement and economic development within the H-GAC region.

Basis of Accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, H-GAC considers revenues to be available if they are collected within 90 days of the end of the fiscal period. Revenues susceptible to accrual are interest income, membership dues, interlocal contracts, and revenues from grantor agencies. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. However, expenditures related to compensated absences are recorded only when payment is due.

The cooperative purchasing enterprise fund and the retirement plan trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the funds are included on the balance sheet. The accrual basis of accounting is utilized by these funds. Under this method, revenues are recorded when earned and expenses are

recorded at the time liabilities are incurred. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Net Position Flow Assumptions - Sometimes H-GAC will fund outlays for a particular purpose from both restricted and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are applied. It is H-GAC's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions - When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, H-GAC considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, H-GAC considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which H-GAC is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Non-spendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same

type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- **Assigned:** This classification includes amounts that are constrained by the Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

H-GAC's ***major sources of revenues*** are discussed below:

Federal and State Contracts - Revenues are recognized when program expenditures are incurred in accordance with program guidelines. Local matching may exceed budgeted amounts. Such excess would be used to further fund the applicable program, but does not represent a budget deviation.

Member Government Dues - Member governments are required to pay dues to H-GAC. Dues are determined annually and are recognized as revenues when assessed because they are measurable and are collectible within the current period. Dues are reported in the general fund and transferred to the special revenue funds as needed to meet matching requirements of grantor contracts.

Locally Contributed In-kind Services - Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various programs. Contributed services are, therefore, reflected as both revenues and expenditures in accordance with legal requirements of the individual contracts. Such services are recorded in the accompanying financial statements at the amount expended by the contributor in providing the matching services, which approximates the fair value of the services at the date of contribution.

Pass-Through and Administrative Fees - The Cooperative Purchasing Program, the Energy Purchasing Corporation, and the Local Development Corporation

record revenues in the form of pass-through and administrative fees. H-GAC assists other governments primarily in Texas by providing expertise in acquiring capital assets and supplies and by aggregating the needs of several governments into larger purchases, providing negotiating advantages as well as assisting small businesses with financing and improving economic development.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivery of goods in connection with the fund's principal operations. The principal operating revenues of the Cooperative Purchasing enterprise fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

H-GAC does not have any items that qualify for reporting in either of the above categories in the current fiscal year.

Capital Assets - Capital assets, which include furniture, fixtures, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost, net of accumulated depreciation.

Depreciation is charged to operations over the estimated useful life (generally five years) using the straight-line method. H-GAC has no public domain assets.

Compensated Absences – It is H-GAC’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Council does not have a policy to pay any amounts when employees separate from service with the government. All vacation pays up to a maximum of 240 hours is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Due to the nature of the obligation for accrued vacation, annual requirements to amortize such obligations are not determinable and have not been presented. The balance of the accrued vacation at the end of the year is due within one year since the usage of the vacation for the year exceeds the balance.

Balance			Balance	Due Within
<u>12/31/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2018</u>	<u>One Year</u>
\$ 926,113	\$ 1,061,107	\$ 1,003,028	\$ 984,192	\$ 984,192

Interfund Transfers - Interfund transfers arise from transactions between funds or the distribution of local (general fund) cash resources to grant projects requiring cash match in accordance with the terms and conditions of the grant contract. Matching funds are derived primarily from H-GAC dues paid by member governments and local in-kind contributions.

Allocation of Employee Benefits and Indirect Costs - H-GAC employee benefits and indirect costs are allocated based upon actual expenditures to all grants in accordance with the Office of Management and Budget (“OMB”) Circular A-87 and the Uniform Guidance (2 CFR 200). Employee benefits are allocated to grant projects as a percentage of H-GAC’s labor costs. Indirect costs necessary to sustain overall operations are allocated as a percentage of total direct labor costs and employee benefits charged to grant projects.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include highly liquid investments with an original maturity of ninety days or less.

Investments - H-GAC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investments of H-GAC are Level 1 and reflect quoted prices at year end. Additionally, H-GAC follows GASB Statement No. 40 *Deposit and Investment Risk Disclosures--an amendment of GASB Statement No. 3*. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such disclosures as required are reflected in Note 3 to the financial statements.

Prepaid Items - Prepaid items are accounted for under the consumption method.

3. DEPOSITS (CASH) AND INVESTMENTS

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the Council.

In accordance with applicable statutes, the Council has a depository contract with a local bank (depository) providing interest rates to be earned on deposited funds and fixed fees for banking services received. The Council may place funds with the depository in interest and non-interest-bearing accounts. Statutes and the depository contract require full security for all funds in the depository institution through federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The depository must deliver the collateral securities to the Council or place them with an independent trustee institution. In accordance with Texas statutes, the safekeeping receipts are in the name of the depository with proper indication of pledge of the collateral securities by the depository to secure funds of the Council. The Council must approve all collateral securities pledged and must approve in writing any changes to the pledged collateral securities.

The Council has adopted a written investment policy regarding the investment of its funds as defined by the PFIA. The PFIA also requires the Council to have independent

auditors perform test procedures related to investment practices as provided by the Act. The Council complies with the requirements of the Act and with local policies.

The Council's investment policy permits investment of Council funds in only the following investment types, consistent with the strategies and maturities defined in the policy:

1. Obligations of the United States or its agencies and instrumentalities.
2. Direct obligations of the State of Texas or its agencies.
3. Other obligations, the principal of which are unconditionally guaranteed or insured by the State of Texas or the United States.
4. General obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
5. Certificates of Deposit issued by State and National banks domiciled in the State of Texas the payment of which is insured in full by the Federal Deposit Insurance Corporation.
6. Fully collateralized direct Repurchase Agreements with a defined termination date purchased pursuant to a master contractual agreement which specified the rights and obligations of both parties and which requires that securities involved in the transaction be held in a safekeeping account subject to the control and custody of H-GAC.
7. No Load Money Market Mutual Funds and No Load Mutual Funds. To be an allowable investment, money market funds must adhere to a 90-day weighted average maturity. No-load mutual funds with a weighted average maturity of up to 2 years are allowable if they are registered with the Securities and Exchange Commission, invest exclusively in obligations authorized by the Public Funds Investment Act, adhere to the requirements set forth for investment pools and are continuously rated by at least one nationally recognized investment rating firm at not less than AAA or its equivalent. A

government may invest no more than 15% of its operating funds (excluding bond proceeds, reserves and debt service funds) in this type of mutual fund.

8. Time deposits in the Council's depositories.
9. Investment pools created to function as money market funds must mark-to-market daily and maintain a market value ratio between .995 and 1.005. These pools must be continuously rated no lower than AAA, AAA-m or an equivalent rating by at least one nationally recognized rating agency.
10. Banker's Acceptances 1) 270 days or fewer, 2) Liquidated in full at maturity, 3) Eligible Federal Reserve Bank collateral, 4) U.S. Bank rated not less than A-1 or P-1.
11. Any combination of the foregoing.

Retirement plan funds are invested among a selection of mutual funds at the discretion of each Plan participant.

Deposit and Investment Amounts

The following schedule presents the Council's cash and investments subject to deposit and investment risk disclosures.

	Cash	Discount Note Money Market	Certificate of Deposits	Mutual Funds	Totals
Governmental Funds:					
General	\$30,235,634	\$ 4,198,142	\$ 4,061,218		\$ 38,494,994
Grant Fund	5,910,613	-	-		5,910,613
Regional Excellence Corporation	442,557	-	-		442,557
Gulf Coast 9-1-1 Regional District	2,341,804	-	-	-	2,341,804
Total Governmental Funds	38,930,608	4,198,142	4,061,218	-	47,189,968
Fiduciary Funds	\$ -	4,442,973		\$28,452,284	32,895,257
Discretely Presented Component Units:					
Energy Purchasing Corporation	207,411	-	-		207,411
Gulf Coast Economic Dev Corp	534,074	-	-		534,074
Local Development Corporation	2,602,940	-	309,285	-	2,912,225
Total Component Units	3,344,425	-	309,285	-	3,653,710
Total Reporting Entity	<u>\$42,275,033</u>	<u>\$ 8,625,217</u>	<u>\$ 4,370,503</u>	<u>\$28,452,284</u>	<u>\$ 83,738,935</u>

Credit and Interest Rate Risk

At year-end, the Council had the following investments subject to credit and interest rate risk disclosure, under U.S. generally accepted accounting principles, by fund:

	Amount	Weighted Average Maturity (Days)	Credit Rating
General Fund	\$8,259,360	143	AAA
Fiduciary Fund	\$32,895,257	26	AAA

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. As of December 31, 2018, the Council's deposit

balance was fully collateralized with securities held by the pledging financial institution in the Council's name or by FDIC insurance.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Many intra-fund transactions take place within the finance department of H-GAC, resulting in monies flowing back and forth between funds. For example, H-GAC matching shares for contracts or grants are paid from the General Fund to Special Revenue Funds, while Special Revenue Funds pay indirect charges to the General Fund.

The following is a summary of interfund receivables and payables at December 31, 2018:

	Interfund Receivables	Interfund Payables
General Fund	\$ 2,522,226	\$ 31,243,932
Grant Fund	16,233,415	1,655,530
Gulf Coast 911 Regional District		691,696
Enterprise Fund	14,835,517	
Total	<u>\$ 33,591,158</u>	<u>\$ 33,591,158</u>

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 172,606	
Grant Fund	2,394	
Enterprise Fund		\$ 175,000
	<u>\$ 175,000</u>	<u>\$ 175,000</u>

The grant fund transfer reflects the net transfer between the general fund and the special revenue fund for H-GAC match requirements and adjustments due to depreciation of assets which is not reflected on the government wide financial statements.

5. RECEIVABLES

Receivables as of the year end for the government's individual major funds and component units, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Grant Fund	Cooperative Purchasing Fund	Energy Purchasing Corporation	Gulf Coast Economic Development Corporation	Local Development Corporation
Due from member government	\$ 49,016	\$ -	\$ -	\$ -	\$ -	\$ -
Advances to subrecipients	-	-	-	-	-	-
Data imagery	16,850	-	-	-	-	-
Federal grants receivable	-	159,808	-	-	-	-
State grants receivable	-	25,313,746	-	-	-	-
Local grants receivable	-	3,034,259	-	-	-	-
Due from customers	50,096	-	1,570,195	-	162,020	30,584
Miscellaneous services	649,834	-	-	-	-	-
Gross Accounts Receivable	765,796	28,507,813	1,570,195	-	162,020	30,584
Less: Allowance for uncollected accounts	-	-	-	-	-	-
Accounts Receivable, Net	<u>\$ 765,796</u>	<u>\$ 28,507,813</u>	<u>\$ 1,570,195</u>	<u>\$ -</u>	<u>\$ 162,020</u>	<u>\$ 30,584</u>

All receivables are expected to be collected within one year.

6. CAPITAL ASSETS

Capital Assets are reported at historical cost, except for donated capital assets, which are recorded at their estimated acquisition value at the time of acquisition.

A summary of changes in capital assets, which consist solely of office furniture and equipment, follows:

	December 31, 2017	Additions	Retirements	December 31, 2018
Governmental activities:				
Furniture, fixtures and equipment	\$4,711,918	\$ 73,541	\$ -	\$ 4,785,459
Capital leases	531,087	55,206	-	586,293
Less accumulated depreciation	<u>(4,072,752)</u>	<u>(491,651)</u>	-	<u>(4,564,403)</u>
	<u>\$1,170,253</u>	<u>\$(362,904)</u>	<u>\$ -</u>	<u>\$807,349</u>
Business-type activities:				
Furniture, fixtures and equipment	\$ 194,196	\$ -	\$ -	\$ 194,196
Less accumulated depreciation	<u>(194,196)</u>	<u>\$ -</u>	<u>-</u>	<u>(194,196)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities –	
General government	\$ 35,439
Workforce programs.....	141,963
Transportation	166,791
Community and Environmental	58,887
Criminal Justice & Homeland Security.....	45,552
Aging Services	<u>43,019</u>
Total Governmental Activities	491,651
Business-type activities –	
Cooperative purchasing.....	<u>0</u>
.....	<u>\$ 491,651</u>

7. UNEARNED REVENUE

As of December 31, 2018, unearned revenue was comprised of the following:

General Fund:	<u>\$ 96,478</u>
Grant Fund:	
Solid Waste.....	\$ 1,383,800
Low Income Repair Assistance.....	17,998,783
C&E/Local Contracts	261,878
Transportation/Local Contracts	265,489
Homeland Security Program	50,645
Human Services Local Program.....	<u>313,255</u>
Total Grant Funds.....	<u>\$20,370,328</u>
Enterprise Fund:	
Cooperative Purchasing.....	<u>\$ 152,219</u>

The General Fund had unearned revenue from prepaid lease and memberships.

During 2018 the cooperative purchasing enterprise fund received remittance from participants in advance of performing services. These remittances, totaling \$152,219, were classified as unearned revenue in the cooperative purchasing enterprise fund.

H-GAC receives an advance of grant funds from the Texas Commission on Environmental Quality to develop and coordinate a solid waste plan for the region. Funds received in excess of expenditures are accounted for as unearned revenue and totaled \$1,383,800 for this program.

H-GAC contracted with five counties to administer the Low-Income Repair Assistance Program (LIRAP) to help citizens with auto maintenance requirements resulting from increased emission standards. The counties advanced funds to the Council for the implementation of this program in 2018. At year end, the advances in excess of expenditures totaled \$17,998,783.

H-GAC set aside \$50,645 of homeland security planning money to provide assistance in developing the required Homeland Security plan for Harris County and the other surrounding jurisdictions.

H-GAC receives matching participating funds from various local agencies to provide assistance in Transportation planning and Workforce programs. At year end, the matching funds totaled \$265,489 and \$313,255.

8. CAPITAL LEASES

The following details the change in total obligation of capital leases:

	12/31/2017	Increase	Decrease	12/31/2018
Capital Lease	<u>\$ 69,169</u>	-	<u>\$ 40,119</u>	<u>\$ 29,050</u>

The following schedule presents future minimum lease payments as of December 31, 2018:

Fiscal Year	Amount
2019	\$23,464
2020	<u>5,799</u>
Minimum lease payments	29,262
Less amount representing interest	<u>(212)</u>
Present value of net minimum	
Lease payments	29,050
Less current portion of capital	
Lease obligation	<u>(23,464)</u>
Long-term portion of capital lease	<u>\$ 5,799</u>

The Houston-Galveston Area Council has entered into a capital lease agreement for a high-volume copier. This lease began on October 5, 2014 and will end on September 5, 2019. The lease allows H-GAC to retain ownership upon completion.

H-GAC entered into a capital lease agreement for a new color copier on June 1, 2017. This lease will end on May 31, 2020 with principal of \$41,746 at inception.

9. RETIREMENT PLAN

Retirement Plan for the Employees of Houston-Galveston Area Council, (“the Plan”), is a single employer, defined-contribution retirement plan for all employees 21 years of age or older having at least six months of service. The Plan is administered by Fidelity Management Trust Company. Retirement benefits depend solely on amounts contributed to the plan and any investment earnings thereon. The Plan requires participants to contribute an amount at least equal to 3% of gross salary. H-GAC matches the participant contribution with a 7% contribution. H-GAC has no further liability to the plan after making such contributions. Participants begin vesting in the employer’s contributions and earnings thereon after 3 years of service and become fully vested after 6 years. H-GAC’s contributions and earnings thereon which are forfeited by employees are used to reduce H-GAC’s contribution requirement. The H-GAC Board of Directors is responsible and has authority to amend the Plan provisions and contributions requirements.

H-GAC’s total payroll in 2018 was \$15,348,254. Retirement plan contributions were calculated using the gross salary amount for covered employees. H-GAC and its employees made contributions in 2018 of \$1,083,712 and \$1,263,961 respectively. Investments in the retirement plan are stated at fair value, based upon quoted market prices of the various mutual funds in which the funds are invested. Non-invested contributions are forfeited upon termination of employment and such forfeitures were used to pay a portion of H-GAC’s required contributions by \$64,085. In 2018 H-GAC had no liability to the plan at December 31, 2018.

A stand-alone retirement plan report may be obtained by request, by writing the Chief Financial Officer of H-GAC at P. O. Box 22777, Houston, Texas 77227-2777.

10. OTHER REVENUE

Other revenue consists of revenues generated from programs operated under the general fund, workshops and publication sales.

11. COMMITMENTS AND CONTINGENCIES

Leases – During December 2017, H-GAC renegotiated its lease space and acquired an additional 5,578 square feet bringing the total leased space to approximately 70,777 square feet at an annual base fee of \$1,645,731. The lease term for the new space began in January 2018 and expires in January 2025. The 65,199 square feet already under lease was extended to January 2025 as well. Included in the lease is a 2% escalation annually over the term of the lease and two months of prorated rent which is amortized over the lease term. H-GAC also negotiated a tenant improvement allowance of \$20.00/square foot or \$1,415,540 for improvements to the leased space. A portion of these funds, \$170,000 would be available for renovation of the newly acquired space upon execution of the contract. The balance of the allowance would not be available until September 2019 with up to half of the allowance available for rent abatement. The schedule below reflects the lease terms. H-GAC has additional office space leased in satellite locations. These leases will terminate in February and April of 2020. The base amount for these leases is \$700 and \$1,736 per month.

In addition to the office leases, H-GAC leases various equipment under non-cancellable operating leases with terms ranging from one to five years. Minimum future lease commitments under all leases for office space and equipment are as follows for the years ending December 31:

2019	1,709,334
2020	1,728,522
2021	1,761,910
2022	1,797,298
2023	1,832,687
2024-2025.....	<u>\$1,868,075</u>
Total minimum rental payments due.....	<u>\$10,697,826</u>

It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other property or equipment. Total lease expense for 2018 was \$1,674,963.

Required Matching Funds – H-GAC’s management is of the opinion that local (general fund) cash on hand and funds to be received in 2018 from membership dues

and other locally generated revenues will be adequate to meet commitments for matching funds required by federal and state grants.

Federal and State Grants – Use of federal, state and locally administered federal and other grant funds is subject to review and audit by fund provider agencies. Such audits could lead to requests from the grantor agency for reimbursement of expenditures disallowed under terms of the contract or grant. To the extent that such disallowances involve expenditures under subcontracted arrangements, H-GAC generally has the right of recovery from such third parties. A significant portion of the federal and state grant funds received by H-GAC are passed through to delegate agencies which administer certain parts of the grants on behalf of H-GAC. Management believes that H-GAC will not incur significant losses on possible grant disallowances.

Insurance – H-GAC purchases commercial insurance to minimize potential losses in the areas of general liability and directors' and officers' liability, workers' compensation and automobile liability.

H-GAC did not experience any significant reductions in insurance coverage during fiscal year 2018 and did not have any instances in which settlements exceeded insurance coverage in any of the past three fiscal years.

Legal Contingencies – H-GAC is involved in lawsuits and other claims in the ordinary course of operations. The outcome of these lawsuits and other claims are not presently determinable, and the resolution of these matters is not expected to have a material effect on the financial condition of H-GAC.

**HOUSTON-GALVESTON AREA COUNCIL
SUPPLEMENTARY SCHEDULE OF INDIRECT COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Actual	Budget	Percentage
PERSONNEL			
Indirect salaries	\$ 1,112,424	\$ 1,156,377	46.82 %
Employee benefits	536,744	557,952	22.59
	<u>1,649,168</u>	<u>1,714,329</u>	<u>69.41</u>
CONSULTANT AND CONTRACT SERVICES			
Consultant	25,094	2,500	1.06
Accounting and auditing	11,700	12,500	0.49
Other contract services	45,563	4,000	1.92
Legal Services	1,609	4,200	0.07
	<u>83,966</u>	<u>23,200</u>	<u>3.53</u>
EQUIPMENT			
Purchase, lease, rental or maintenance office furniture, fixtures and equipment	17,845	9,200	0.75
Depreciation	425,075	413,000	17.89
	<u>442,920</u>	<u>422,200</u>	<u>18.64</u>
LEASE OF OFFICE SPACE	<u>91,470</u>	<u>101,379</u>	<u>3.85</u>
TRAVEL	<u>23,790</u>	<u>20,700</u>	<u>1.00</u>
OTHER			
Consumable supplies	11,458	6,624	0.48
Software and Database	59,691	47,535	2.51
Communications	1,000	1,000	0.04
Postage	7,201	6,150	0.30
Subscriptions & memberships	93,049	87,500	3.92
Miscellaneous	35,103	27,793	1.48
	<u>207,502</u>	<u>176,602</u>	<u>8.73</u>
Indirect Carryforward	(122,683)	65,000	-5.16
TOTAL INDIRECT COSTS (A)	<u><u>\$ 2,376,133</u></u>	<u><u>\$ 2,523,410</u></u>	<u>100.0 %</u>
BASIS FOR ALLOCATION OF INDIRECT COSTS			
Chargeable salaries	\$ 15,348,254	\$ 16,283,960	
Employee benefits	7,405,528	7,842,355	
	<u>22,753,782</u>	<u>24,126,315</u>	
Less indirect salaries and Employee benefits	<u>(1,649,168)</u>	<u>(1,714,329)</u>	
TOTAL DIRECT SALARIES AND RELATED EMPLOYEE BENEFITS (B)	<u><u>\$ 21,104,614</u></u>	<u><u>\$ 22,411,986</u></u>	
ACTUAL INDIRECT COST RATE (A/B)	<u>11.26%</u>	<u>11.26%</u>	

HOUSTON-GALVESTON AREA COUNCIL
SUPPLEMENTARY SCHEDULE OF H-GAC EMPLOYEE BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Amount</u>	<u>Percentage</u>
RELEASED TIME TAKEN AND ACCRUED:		
Vacation	\$ 1,002,796	13.54 %
Holidays	797,161	10.76
Sick leave	497,123	6.71
Other	171,651	2.32
	<u>2,468,731</u>	<u>33.34</u>
BENEFIT PROGRAMS:		
Payroll taxes	1,460,060	19.72
Retirement plan	1,136,831	15.35
Insurance	2,283,350	30.83
Other benefits	4,953	0.07
	<u>4,885,194</u>	<u>65.97</u>
Benefit carryforward	<u>51,603</u>	<u>0.70</u>
TOTAL EMPLOYEE BENEFITS (A)	<u>\$ 7,405,528</u>	<u>100.00 %</u>
BASIS FOR ALLOCATION OF EMPLOYEE BENEFITS:		
Gross Salaries	\$ 17,816,985	
Less released time	<u>(2,468,731)</u>	
CHARGEABLE SALARIES (B)	<u>\$ 15,348,254</u>	
EMPLOYEE BENEFIT RATE (A/B)	<u>48.25 %</u>	

HOUSTON-GALVESTON AREA COUNCIL
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
DECEMBER 31, 2018

	Beginning 12/31/2017	Additions	Deletions	Ending 12/31/2018
ASSETS				
Cash	\$ 1,240,003	\$ 3,694,092	\$ (909,216)	\$ 4,024,879
Total Asset	<u>\$ 1,240,003</u>	<u>\$ 3,694,092</u>	<u>\$ (909,216)</u>	<u>\$ 4,024,879</u>
LIABILITIES				
Due to Others	\$ 1,240,003	\$ 3,694,092	\$ (909,216)	\$ 4,024,879
Total liabilities	<u>\$ 1,240,003</u>	<u>\$ 3,694,092</u>	<u>\$ (909,216)</u>	<u>\$ 4,024,879</u>

Statistical Section

This part of the Houston-Galveston's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements and note disclosure says about the government's overall financial health.

Financial Trends

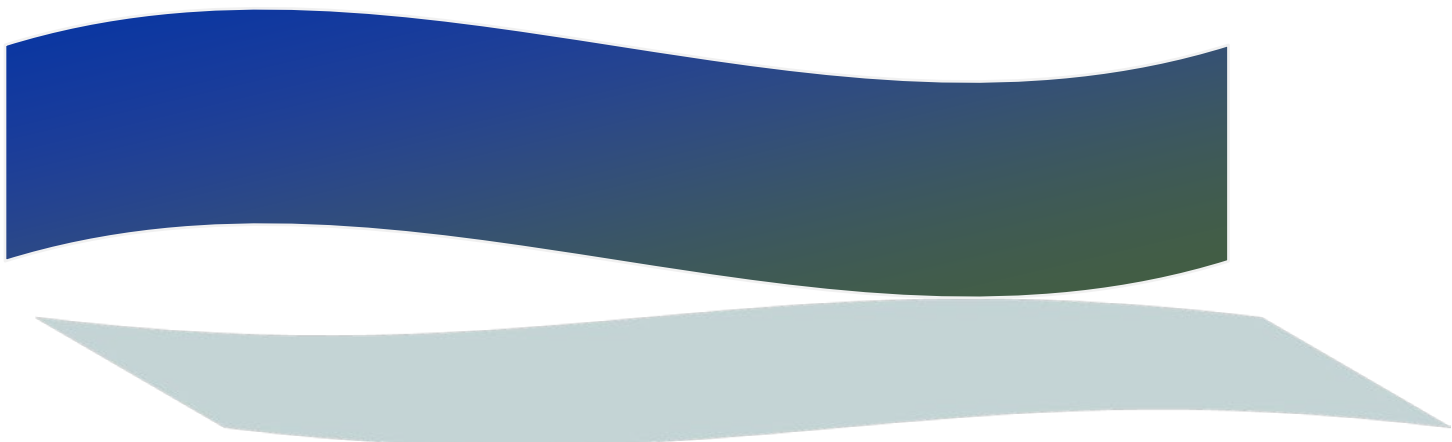
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information that help the reader assess HGAC's most significant revenue sources.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help readers understand the environment within which H-GAC's financial activities take place.



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Houston-Galveston Area Council
Net Position by Component,
Last Ten Years
(accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities										
Net Investment in Capital Assets	\$ 1,441,651	\$ 1,733,977	\$ 1,536,514	\$ 1,171,554	\$ 873,153	\$ 1,772,876	\$ 1,876,144	\$ 1,487,231	1,101,084	778,299
Restricted	-		2,905,476	5,411,485	7,831,657	7,714,688	8,032,742	7,907,727	8,482,762	8,323,514
Unrestricted	5,989,894	6,153,368	6,655,894	7,059,754	7,350,151	8,078,247	8,354,323	8,780,986	9,002,170	9,453,392
Total governmental activities net position	\$ 7,431,545	\$ 7,887,345	\$ 11,097,883	\$ 13,642,793	\$ 16,054,961	\$ 17,565,811	\$ 18,263,209	18,175,944	18,586,016	18,555,205
Business-type activities										
Net Investment in Capital Assets	\$ -	\$ 189,902	\$ 156,216	\$ 117,377	\$ 78,538	\$ 39,699	\$ 860	\$ -	\$ -	\$ -
Unrestricted	4,221,915	4,921,302	5,564,522	7,430,101	8,441,204	9,791,095	12,104,373	12,834,141	15,045,379	16,233,015
Total business-type activities net position	\$ 4,221,915	\$ 5,111,204	\$ 5,720,738	\$ 7,547,478	\$ 8,519,742	\$ 9,830,794	\$ 12,105,233	\$ 12,834,141	\$ 15,045,379	\$ 16,233,015
Primary government										
Net Investment in Capital Assets	\$ 1,441,651	\$ 1,923,879	\$ 1,692,730	\$ 1,288,931	\$ 951,691	\$ 1,812,575	\$ 1,877,004	\$ 1,487,231	\$ 1,101,084	\$ 778,299
Restricted	-		2,905,476	5,411,485	7,831,657	7,714,688	8,032,742	7,907,727	8,482,762	8,323,514
Unrestricted	10,211,809	11,074,670	12,220,416	14,489,855	15,791,355	17,869,342	20,458,696	21,615,127	24,047,549	25,686,407
Total primary government net position	\$ 11,653,460	\$ 12,998,549	\$ 16,818,621	\$ 21,190,271	\$ 24,574,703	\$ 27,396,605	\$ 30,368,442	\$ 31,010,085	\$ 33,631,395	\$ 34,788,220

Houston-Galveston Area Council
Changes in Net Position, Last Ten Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 5,000,582	\$ 3,189,351	\$ 3,192,212	\$ 3,695,088	\$ 1,123,501	\$ 3,017,955	\$ 1,121,364	\$ 4,487,704	\$ 5,579,938	\$ 6,024,453
Workforce programs	220,604,671	303,355,993	226,221,149	180,735,826	185,089,084	183,974,199	205,095,889	209,009,097	232,028,757	273,118,245
Transportation	21,520,444	30,219,209	24,111,492	23,840,134	33,229,456	28,705,403	31,200,061	40,668,632	28,150,854	22,502,463
Community and environmental	7,902,348	4,563,591	11,156,076	8,016,851	10,310,254	22,778,574	23,021,245	10,732,671	13,305,656	16,158,934
Criminal justice	1,480,780	1,368,165	1,604,765	848,023	1,027,540	947,483	943,741	847,184	1,356,078	1,232,945
Emergency communications	5,918,726	2,929,196	7,290,785	3,898,273	3,242,332	4,881,827	4,632,362	931,365	-	-
Aging services	9,975,099	8,603,598	9,299,666	9,144,786	8,774,680	8,975,078	9,886,838	11,124,787	10,521,725	11,131,671
Total governmental activities expenses	272,402,650	354,229,103	282,876,145	230,178,981	242,796,847	253,280,519	275,901,500	277,801,440	290,943,008	330,168,711
Business-type activities:										
Cooperative purchasing	2,344,257	2,353,892	2,647,242	2,477,374	2,978,910	3,032,813	3,492,923	3,540,827	3,490,530	3,535,809
Total business-type activities expenses	2,344,257	2,353,892	2,647,242	2,477,374	2,978,910	3,032,813	3,492,923	3,540,827	3,490,530	3,535,809
Total primary government expenses	\$ 274,746,907	\$ 356,582,995	\$ 285,523,387	\$ 232,656,355	\$ 245,775,757	\$ 256,313,332	\$ 279,394,423	\$ 281,342,267	\$ 294,433,538	\$ 333,704,520
Program Revenues										
Governmental activities:										
Charges for services:										
Membership dues	327,683	335,139	323,690	332,635	395,538	402,918	388,039	394,258	395,539	299,061
Interlocal contracts	4,275,528	1,797,840	2,393,802	1,710,860	734,742	1,616,261	767,454	785,108	1,272,045	729,253
Data services and imaging	878,651	842,738	355,006	1,279,097	389,465	670,050	211,625	651,490	411,575	1,528,519
Operating grants and contributions	267,824,047	351,325,543	282,374,159	228,699,778	243,745,694	249,980,261	274,844,685	275,703,821	288,363,857	326,678,493
Total governmental activities program revenues	273,305,909	354,301,260	285,446,657	232,022,370	245,265,439	252,669,490	276,211,803	277,534,677	290,443,016	329,235,326
Business-type activities:										
Charges for services:										
Cooperative purchasing	3,882,653	3,243,181	3,256,776	4,304,114	3,951,174	4,843,865	5,767,362	4,269,735	5,801,768	4,898,445
Total business-type activities program revenues	3,882,653	3,243,181	3,256,776	4,304,114	3,951,174	4,843,865	5,767,362	4,269,735	5,801,768	4,898,445
Total primary government program revenues	\$ 277,188,562	\$ 357,544,441	\$ 288,703,433	\$ 236,326,484	\$ 249,216,613	\$ 257,513,355	\$ 281,979,165	\$ 281,804,412	\$ 296,244,784	\$ 334,133,771
Net (Expense)/Revenue										
Governmental activities	\$ 903,259	\$ 72,157	\$ 2,570,512	\$ 1,843,389	2,468,592	(611,030)	310,302	(266,764)	(499,993)	(933,385)
Business-type activities	1,538,396	889,289	609,534	1,826,740	972,264	1,811,052	2,274,439	728,908	2,311,238	1,362,636
Total primary government net expense	\$ 2,441,655	\$ 961,446	\$ 3,180,046	\$ 3,670,129	\$ 3,440,856	\$ 1,200,022	\$ 2,584,741	\$ 462,144	\$ 1,811,245	\$ 429,251
General Revenues and Other Changes in Net Position										
Governmental activities:										
State financial assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Interest income	17,511	42,374	70,482	14,668	158,039	15,741	22,290	14,189	58,491	331,766
Miscellaneous	288,404	341,270	522,311	696,854	(214,461)	1,606,138	364,809	165,314	751,573	395,808
Transfers in						500,000			100,000	175,000
Total governmental activities	\$ 305,915	\$ 383,644	\$ 592,793	\$ 711,522	\$ (56,422)	\$ 2,121,879	\$ 387,099	\$ 179,503	\$ 910,064	\$ 902,574
Business-type activities:										
Transfers out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (500,000)			\$ (100,000)	\$ (175,000)
Total Business-type activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (500,000)	\$ -	\$ -	\$ (100,000)	\$ (175,000)
Change in Net Position										
Governmental activities	\$ 1,209,174	\$ 455,801	\$ 3,163,305	\$ 2,554,909	\$ 2,412,168	\$ 1,510,849	\$ 697,398	\$ (87,264)	\$ 410,072	\$ (30,811)
Business-type activities	1,538,396	889,289	609,534	1,826,740	972,264	1,311,052	2,274,439	728,908	2,211,238	1,187,636
Total primary government	\$ 2,747,570	\$ 1,345,089	\$ 3,772,838	\$ 4,381,649	\$ 3,384,432	\$ 2,821,901	\$ 2,971,837	\$ 641,644	\$ 2,621,310	\$ 1,156,825

Houston-Galveston Area Council
Fund Balances, Governmental Funds,
Last Ten Years
(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund										
Nonspendable	\$ 81,395	\$ 116,622	\$ 115,315	\$ 83,951	\$ 179,415	\$ 116,304	\$ 48,145	\$ 206,721	\$ 184,145	\$ 210,135
Unassigned	6,432,577	6,654,711	7,161,978	7,880,052	8,062,639	8,817,921	9,152,946	9,165,337	9,744,138	10,227,449
Total general fund	<u>\$ 6,513,972</u>	<u>\$ 6,771,333</u>	<u>\$ 7,277,293</u>	<u>\$ 7,964,003</u>	<u>\$ 8,242,054</u>	<u>\$ 8,934,225</u>	<u>\$ 9,201,091</u>	<u>\$ 9,372,058</u>	<u>\$ 9,928,283</u>	<u>\$10,437,584</u>
All Other Governmental Funds										
Restricted for:										
EPA RLF Program	\$ -		\$ 2,790,161	\$ 5,210,480	\$ 7,749,761	\$ 7,599,714	\$ 7,833,463	\$ 7,486,709	\$ 7,121,000	\$ 6,393,395
Regional Excellence Corporation	\$ 192,845	\$ 228,990	\$ 266,224	\$ 201,005	\$ 81,896	\$ 114,974	\$ 199,279	\$ 421,018	\$ 354,000	\$ 280,011
Gulf Coast 911 Regional District								\$ 300,418	\$ 1,007,662	\$ 1,650,108
Total all other governmental funds	<u>\$ 192,845</u>	<u>\$ 228,990</u>	<u>\$ 3,056,385</u>	<u>\$ 5,411,485</u>	<u>\$ 7,831,657</u>	<u>\$ 7,714,688</u>	<u>\$ 8,032,742</u>	<u>\$ 8,208,145</u>	<u>\$ 8,482,662</u>	<u>\$ 8,323,514</u>

Houston-Galveston Area Council
Changes in Fund Balances, Governmental Funds,
Last Ten Years
(modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues										
Interest income	\$ 17,511	\$ 42,374	\$ 70,482	\$ 14,668	\$ 11,974	\$ 15,741	\$ 22,290	\$ 14,189	\$ 58,491	\$ 331,766
Membership dues	327,684	335,139	323,690	332,635	395,538	402,917	388,039	394,258	395,539	299,061
Interlocal contracts	1,852,880	1,797,840	2,393,802	1,710,860	734,742	1,616,261	767,454	785,108	1,272,045	729,253
Data services and imaging	878,651	842,738	355,006	1,279,097	389,465	670,050	211,625	651,490	411,575	1,528,519
Miscellaneous income	288,410	341,270	522,311	696,854	(214,461)	1,606,138	364,809	165,314	751,567	395,808
Operating grants and contributions	267,824,046	351,325,543	282,374,159	228,699,778	243,891,754	249,980,261	274,844,685	275,703,821	288,363,857	326,678,493
Total revenues	<u>271,189,182</u>	<u>354,684,904</u>	<u>286,039,450</u>	<u>232,733,892</u>	<u>245,209,012</u>	<u>\$ 254,291,369</u>	<u>\$ 276,598,902</u>	<u>\$277,714,180</u>	<u>\$291,253,074</u>	<u>\$329,962,900</u>
Expenditures										
General government	2,754,758	2,866,929	3,111,232	3,397,292	936,046	2,955,078	1,063,628	1,838,703	2,537,247	2,851,528
Workforce programs	220,546,495	303,505,280	226,130,967	180,661,303	185,067,235	183,838,987	204,963,753	208,854,509	231,869,701	272,976,282
Transportation	21,400,894	30,067,030	23,951,444	23,672,771	33,126,845	28,568,435	31,030,647	40,491,639	28,064,068	22,335,672
Community and environmental	8,176,308	4,529,900	11,075,539	7,926,066	10,227,572	22,704,646	22,958,676	10,680,269	13,253,886	16,173,588
Criminal justice	1,454,588	1,652,330	1,544,171	773,435	958,987	957,655	909,063	815,491	1,319,500	1,187,393
Emergency communications	5,910,612	2,912,647	7,290,076	3,876,498	3,219,814	4,868,627	4,613,624	928,918	-	-
Aging services	9,962,271	8,584,279	9,330,307	9,106,269	8,750,081	8,937,602	9,839,561	11,069,901	10,477,138	11,088,653
Regional excellence corporation	411,101	164,759	80,259	152,719	188,720	86,941	49,271	62,842	122,317	145,893
Gulf Coast 911 Emergency District								2,503,579	2,841,896	2,932,655
Debt service:										
Principal	43,329	28,106	26,762	23,732	10,767	13,206	15,880	26,286	34,993	40,119
Interest	9,428	6,542	4,085	1,397	380	1,125	2,727	2,079	1,486	859
Capital outlay	668,401	73,594	161,253	134,508	24,341	1,339,506	612,320	93,594	41,746	55,206
Total expenditures	<u>271,338,187</u>	<u>354,391,398</u>	<u>282,706,095</u>	<u>229,725,992</u>	<u>242,510,790</u>	<u>254,271,808</u>	<u>276,059,150</u>	<u>277,367,810</u>	<u>290,563,978</u>	<u>329,787,848</u>
Excess of revenues over (under) expenditures	<u>(149,005)</u>	<u>293,506</u>	<u>3,333,355</u>	<u>3,007,900</u>	<u>2,698,222</u>	<u>19,561</u>	<u>539,752</u>	<u>346,371</u>	<u>689,097</u>	<u>175,052</u>
Other Financing Sources (Uses)										
Capital leases	-	-	-	33,910	-	55,642	45,169	-	41,746	-
Total other financing sources (uses)										
Transfers in	100,000					500,000			100,000	175,000
Net change in fund balances	<u>\$ (49,005)</u>	<u>\$ 293,506</u>	<u>\$ 3,333,355</u>	<u>\$ 3,041,810</u>	<u>\$ 2,698,222</u>	<u>\$ 575,203</u>	<u>\$ 584,921</u>	<u>\$ 346,371</u>	<u>\$ 830,842</u>	<u>\$ 350,052</u>
Debt service as a percentage of noncapital expenditures	0.02%	0.01%	0.01%	0.01%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%

Houston-Galveston Area Council
Full-time Equivalent Employees by Function/Program
Last Ten Years
(modified accrual basis of accounting)

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Executive										
Executive Director	4	4	4	4.5	4	4	4	4	4	4
Internal Audit	3	3	2	3.5	4	4	4	4	4	4
Finance Administration										
Finance	14	15.5	14	15	14	13	13	15	14	14
Human Resources										2
Office Services	4	4	5	5	4	7	8	7	8	5
Program Services										
Chief Operating Officer	2	2	2	1	1	2	3	3	8	6
Community and Environmental Planning	36.5	37.5	37	42.5	45.5	41	36	38.5	30	33
Data Services	13	12	12.5	15.5	16.5	20.5	20	23.5	23	22
Human Services	62	64	60	59	56	49	53.5	68.5	63	63
Public Services	35	40	38	30	32	31	28	30	29	37
Transportation	57.5	58	58	61	58	56.5	57	59	51	62
Total	231	240	232.5	237	235	228	226.5	252.5	234	252

Source: H-GAC

Ten Largest Non-Governmental Houston Area Employers

Rank	Company	2018
1	Walmart	34,000
2	H-E-B	26,956
3	Memorial Hermann Health System	26,011
4	Houston Methodist	22,247
5	The University of Texas MD Anderson Cancer Center	20,189
6	Kroger	17,188
7	McDonald's	16,100
8	United Airlines	14,084
9	Texas Children's Hospital	13,445
10	ExxonMobil Corp.	13,000

Sources: Houston Chronicle, 2018

<https://www.houstonchronicle.com/business/chron-100/>

COUNTY PROFILES

<u>Austin County</u>		<u>Brazoria County</u>	
Land Area (sq. miles)	653	Land Area (sq. miles)	1,386
Persons per Square Mile	45	Persons per Square Mile	255
County Seat	Bellville	County Seat	Angleton
Population (2017)	29,637	Population (2017)	353,828
Race		Race	
White	18,632	White	171,466
Black	2,588	Black	46,459
Asian	172	Asian	22,713
Hispanic	7,841	Hispanic	106,370
Two or More Races and Other	404	Two or More Races and Other	6,820
Households and Families (2017)		Households and Families (2017)	
Total households	11,021	Total households	117,088
Average Household Size	2.63	Average Household Size	2.86
Average family size	3.15	Average family size	3.41
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	173	Marriages	2,043
Divorces	107	Divorces	1,261
Births	347	Births	4,939
Male	164	Male	2,579
Female	183	Female	2,360
Deaths	272	Deaths	2,155
Unemployment Rate (02/2019)	3.8	Unemployment Rate (02/2019)	4.4

<u>Chambers County</u>		<u>Colorado County</u>	
Land Area (sq. miles)	599	Land Area (sq. miles)	963
Persons per Square Mile	67	Persons per Square Mile	22
County Seat	Anahuac	County Seat	Columbus
Population (2017)	40,283	Population (2017)	21,027
Race		Race	
White	27,126	White	11,933
Black	3,213	Black	2,566
Asian	450	Asian	125
Hispanic	8,843	Hispanic	6,151
Two or More Races and Other	651	Two or More Races and Other	252
Households and Families (2017)		Households and Families (2017)	
Total households	13,320	Total households	7,603
Average Household Size	2.93	Average Household Size	2.70
Average family size	3.44	Average family size	3.36
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	227	Marriages	117
Divorces	160	Divorces	45
Births	512	Births	265
Male	259	Male	134
Female	253	Female	131
Deaths	290	Deaths	256
Unemployment Rate (02/2019)	5.1	Unemployment Rate (02/2019)	3.6

<u>Fort Bend County</u>		<u>Galveston County</u>	
Land Area (sq. miles)	875	Land Area (sq. miles)	398
Persons per Square Mile	848	Persons per Square Mile	827
County Seat	Richmond	County Seat	Galveston
Population (2017)	741,958	Population (2017)	329,306
Race		Race	
White	252,066	White	190,092
Black	149,200	Black	42,167
Asian	145,904	Asian	10,790
Hispanic	180,136	Hispanic	79,846
Two or More Races and Other	14,652	Two or More Races and Other	6,411
Households and Families (2017)		Households and Families (2017)	
Total households	222,331	Total households	117,455
Average Household Size	3.17	Average Household Size	2.68
Average family size	3.60	Average family size	3.31
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	3,145	Marriages	1,876
Divorces	1,670	Divorces	1,026
Births	9,887	Births	4,219
Male	5,053	Male	2,190
Female	4,834	Female	2,029
Deaths	2,984	Deaths	2,675
Unemployment Rate (02/2019)	3.9	Unemployment Rate (02/2019)	4.5

<u>Harris County</u>		<u>Liberty County</u>	
Land Area (sq. miles)	1,729	Land Area (sq. miles)	1,160
Persons per Square Mile	2,670	Persons per Square Mile	70
County Seat	Houston	County Seat	Liberty
Population (2017)	4,617,041	Population (2017)	81,377
Race		Race	
White	1,398,676	White	53,020
Black	857,799	Black	8,021
Asian	325,556	Asian	412
Hispanic	1,962,239	Hispanic	18,554
Two or More Races and Other	72,771	Two or More Races and Other	1,370
Households and Families (2017)		Households and Families (2017)	
Total households	1,562,813	Total households	25,974
Average Household Size	2.87	Average Household Size	2.81
Average family size	3.62	Average family size	3.43
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	27,755	Marriages	431
Divorces	11,902	Divorces	243
Births	73,427	Births	1,133
Male	37,167	Male	580
Female	36,260	Female	553
Deaths	25,342	Deaths	765
Unemployment Rate (02/2019)	4.2	Unemployment Rate (02/2019)	5.5

<u>Matagorda County</u>		<u>Montgomery County</u>	
Land Area (sq. miles)	1,114	Land Area (sq. miles)	1,044
Persons per Square Mile	33	Persons per Square Mile	531
County Seat	Bay City	County Seat	Conroe
Population (2017)	37,117	Population (2017)	554,522
Race		Race	
White	16,440	White	372,931
Black	3,831	Black	25,645
Asian	653	Asian	15,464
Hispanic	15,690	Hispanic	130,057
Two or More Races and Other	503	Two or More Races and Other	10,425
Households and Families (2017)		Households and Families (2017)	
Total households	13,811	Total households	186,861
Average Household Size	2.63	Average Household Size	2.85
Average family size	3.41	Average family size	3.39
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	266	Marriages	3,350
Divorces	114	Divorces	1,791
Births	533	Births	7,336
Male	272	Male	3,767
Female	261	Female	3,569
Deaths	407	Deaths	3,623
Unemployment Rate (02/2019)	5.9	Unemployment Rate (02/2019)	3.8

<u>Walker County</u>		<u>Waller County</u>	
Land Area (sq. miles)	787	Land Area (sq. miles)	514
Persons per Square Mile	91	Persons per Square Mile	97
County Seat	Huntsville	County Seat	Hempstead
Population (2017)	71,701	Population (2017)	50,058
Race		Race	
White	40,511	White	21,580
Black	16,369	Black	12,437
Asian	801	Asian	458
Hispanic	12,902	Hispanic	14,856
Two or More Races and Other	1,118	Two or More Races and Other	727
Households and Families (2017)		Households and Families (2017)	
Total households	21,294	Total households	14,698
Average Household Size	2.45	Average Household Size	2.96
Average family size	3.16	Average family size	3.50
Vital Statistics (2015)		Vital Statistics (2015)	
Marriages	418	Marriages	345
Divorces	190	Divorces	142
Births	667	Births	592
Male	336	Male	318
Female	331	Female	274
Deaths	513	Deaths	305
Unemployment Rate (02/2019)	4.1	Unemployment Rate (02/2019)	4.2

Wharton County

Land Area (sq. miles)	1,090
Persons per Square Mile	38
County Seat	Wharton
Population (2017)	41,634
Race	
<i>White</i>	18,690
<i>Black</i>	5,417
<i>Asian</i>	204
<i>Hispanic</i>	16,959
<i>Two or More Races and Other</i>	364
Households and Families (2017)	
Total households	15,224
Average Household Size	2.68
Average family size	3.33
Vital Statistics (2015)	
Marriages	242
Divorces	97
Births	595
Male	302
Female	293
Deaths	417
Unemployment Rate (02/2019)	3.6

Source: US Census Bureau, 2018
Texas Department of Health, 2015
Texas Workforce Commission, 2019
H-GAC, 2018

Note: Marriage and divorce data are from 2014

Total Population 1980-2018												
Geography	1980	1990	2000	2010	2011	2012	2013	2014	2015	2016	2017	2018
Austin County	17,726	19,832	23,590	28,417	28,599	28,561	28,684	28,972	29,473	29,636	29,757	29,989
Brazoria County	169,587	191,707	241,767	313,166	319,159	324,284	329,986	337,698	345,617	353,778	362,700	370,200
Chambers County	18,538	20,088	26,031	35,096	35,687	36,498	37,362	38,290	39,068	40,247	41,399	42,454
Colorado County	18,823	18,383	20,390	20,874	20,806	20,726	20,721	20,705	20,929	21,030	21,228	21,217
Fort Bend County	130,962	225,421	354,452	585,375	606,063	624,926	652,050	684,345	715,067	743,303	766,136	787,858
Galveston County	195,738	217,396	250,158	291,309	295,576	301,053	306,614	313,426	321,003	328,822	334,304	337,890
Harris County	2,409,547	2,818,101	3,400,578	4,092,459	4,179,796	4,264,193	4,355,158	4,458,709	4,561,939	4,629,189	4,664,159	4,698,619
Liberty County	47,088	52,726	70,154	75,643	75,981	76,371	76,854	78,056	79,611	81,513	83,809	86,323
Matagorda County	37,828	36,928	37,957	36,702	36,684	36,553	36,518	36,501	36,775	37,076	36,811	36,552
Mongtgomery County	127,222	182,201	293,768	455,746	471,396	484,622	498,518	517,328	536,124	555,703	572,146	590,925
Walker County	14,618	14,675	16,809	15,507	15,641	15,571	15,665	15,836	16,012	15,848	15,618	15,673
Waller County	19,798	23,374	32,663	43,205	44,109	44,353	45,431	46,794	48,663	50,069	51,285	53,126
Wharton County	40,242	39,955	41,188	41,280	41,289	41,149	41,142	41,124	41,426	41,668	41,916	41,619
H-GAC 13 County Area	3,247,717	3,860,787	4,809,505	6,034,779	6,170,786	6,298,860	6,444,703	6,617,784	6,791,707	6,927,882	7,021,268	7,112,445
Texas	14,225,513	16,986,335	20,851,820	25,145,561	25,644,424	26,078,327	26,479,279	26,954,436	27,454,880	27,904,862	28,304,596	28,701,845

Data source: Census Bureau Population and Housing Units Estimates, 2018

Texas 2018 State Expenditures by County

Rank	County	Total	Inter-governmental Payments	Labor Costs	Public Assistance	Highway Construction	Operating Expenses	Capital Outlays	Miscellaneous
1	TRAVIS	\$ 15,186,181,744	\$ 703,587,697	\$ 7,276,997,378	\$ 5,546,353,441	\$ 365,021,148	\$ 324,002,139	\$ 62,139,597	\$ 908,080,344
2	HARRIS	\$ 14,632,070,585	\$ 4,510,683,463	\$ 1,721,779,548	\$ 6,576,561,258	\$ 1,207,817,461	\$ 244,362,862	\$ 95,813,387	\$ 275,052,607
3	DALLAS	\$ 10,755,408,497	\$ 2,959,459,341	\$ 2,231,904,341	\$ 3,651,576,646	\$ 757,957,239	\$ 397,225,335	\$ 80,359,205	\$ 676,926,388
4	BEXAR	\$ 7,400,990,501	\$ 2,076,791,885	\$ 856,750,382	\$ 3,960,950,877	\$ 251,711,904	\$ 94,633,239	\$ 17,750,179	\$ 142,402,034
5	TARRANT	\$ 4,744,317,291	\$ 1,952,473,122	\$ 524,016,607	\$ 1,875,204,253	\$ 185,973,376	\$ 67,323,037	\$ 9,353,367	\$ 129,973,529
6	HIDALGO	\$ 3,548,906,273	\$ 2,362,705,841	\$ 356,384,373	\$ 680,965,711	\$ 103,810,733	\$ 23,137,450	\$ 1,723,160	\$ 20,179,006
7	FORT BEND	\$ 3,238,915,402	\$ 714,002,383	\$ 253,274,239	\$ 2,168,587,322	\$ 53,743,917	\$ 12,444,444	\$ 3,231,879	\$ 33,631,219
8	EL PASO	\$ 2,659,012,202	\$ 1,420,918,117	\$ 357,400,190	\$ 705,655,465	\$ 121,540,822	\$ 22,688,445	\$ 2,153,932	\$ 28,655,230
9	NUECES	\$ 1,771,838,298	\$ 341,871,048	\$ 192,857,634	\$ 1,024,934,584	\$ 172,124,056	\$ 14,941,247	\$ 7,883,630	\$ 17,226,100
10	WILLIAMSON	\$ 1,626,740,974	\$ 293,353,262	\$ 870,685,591	\$ 221,981,784	\$ 111,666,373	\$ 89,856,831	\$ 8,233,291	\$ 30,963,843
16	MONTGOMERY	\$ 1,210,094,299	\$ 497,042,714	\$ 145,674,454	\$ 109,214,423	\$ 423,969,002	\$ 19,437,401	\$ 414,086	\$ 14,342,220
19	GALVESTON	\$ 1,056,812,223	\$ 398,410,199	\$ 373,597,766	\$ 194,815,200	\$ 38,658,843	\$ 6,722,503	\$ 18,411,093	\$ 26,196,619
24	BRAZORIA	\$ 639,586,294	\$ 375,154,553	\$ 128,945,640	\$ 98,920,307	\$ 9,247,434	\$ 9,849,092	\$ 1,013,375	\$ 16,455,893
31	WALKER	\$ 396,771,013	\$ 67,302,883	\$ 264,769,502	\$ 16,391,441	\$ 550,977	\$ 26,708,270	\$ 258,647	\$ 20,789,292
50	LIBERTY	\$ 210,565,471	\$ 113,345,549	\$ 34,643,712	\$ 47,330,980	\$ 9,870,358	\$ 1,832,212	\$ 13,500	\$ 3,529,161
80	WHARTON	\$ 110,684,446	\$ 66,106,336	\$ 17,117,973	\$ 10,812,545	\$ 2,262,131	\$ 9,963,266	\$ 1,067,197	\$ 3,354,997
86	WALLER	\$ 96,631,629	\$ 25,475,666	\$ 49,198,526	\$ 14,780,661	\$ 379,126	\$ 2,710,614	\$ 13,769	\$ 4,073,267
94	MATAGORDA	\$ 60,951,221	\$ 32,630,481	\$ 8,558,035	\$ 16,089,136	\$ 630,605	\$ 270,598	\$ 74,935	\$ 2,697,431
111	CHAMBERS	\$ 57,417,793	\$ 35,795,495	\$ 6,864,155	\$ 13,459,085		\$ 127,716	\$ 24,500	\$ 1,146,843
113	AUSTIN	\$ 53,984,291	\$ 29,816,309	\$ 13,247,427	\$ 8,138,115	\$ 13,170	\$ 604,240		\$ 2,165,030
138	COLORADO	\$ 36,107,628	\$ 15,319,062	\$ 8,403,033	\$ 9,564,535		\$ 1,726,217	\$ 393,000	\$ 701,781
	Total Texas Counties	\$ 96,214,431,204	\$ 30,723,710,422	\$ 22,894,943,513	\$ 31,656,863,433	\$ 5,483,770,687	\$ 1,980,724,829	\$ 407,123,647	\$ 3,067,294,673
	Total H-GAC Counties	\$ 21,800,592,296	\$ 6,881,085,093	\$ 3,026,074,009	\$ 9,284,665,007	\$ 1,747,143,023	\$ 336,759,436	\$ 120,729,368	\$ 404,136,360
	% of Expenditures in the region	22.7%	22.4%	13.2%	29.3%	31.9%	17.0%	29.7%	13.2%

Data source: Texas Comptroller of Public Accounts, 2018

Texas 2018 State Expenditures by Council of Governments

Rank	Council of Governments	Total	Inter-governmental Payments	Labor Costs	Public Assistance	Highway Construction	Operating Expenses	Capital Outlays	Miscellaneous
1	Houston-Galveston Area	\$ 21,800,592,296	\$ 6,881,085,093	\$ 3,026,074,009	\$ 9,284,665,007	\$ 1,747,143,023	\$ 336,759,436	\$ 120,729,368	\$ 404,136,360
2	North Central Texas	\$ 19,733,484,487	\$ 7,013,972,607	\$ 3,621,817,967	\$ 6,226,018,702	\$ 1,264,804,795	\$ 541,509,257	\$ 101,669,867	\$ 963,691,292
3	Capital Area	\$ 18,152,424,313	\$ 1,368,461,300	\$ 8,716,039,427	\$ 5,864,516,952	\$ 693,317,357	\$ 444,723,861	\$ 80,235,533	\$ 985,129,884
4	Alamo Area	\$ 8,523,900,925	\$ 2,529,341,369	\$ 1,128,348,165	\$ 4,161,439,205	\$ 361,582,910	\$ 150,397,614	\$ 21,812,521	\$ 170,979,140
5	Lower Rio Grande Valley	\$ 4,927,143,155	\$ 3,303,033,160	\$ 542,884,517	\$ 914,382,695	\$ 108,792,402	\$ 29,065,405	\$ 1,805,170	\$ 27,179,807
6	Rio Grande	\$ 2,741,543,458	\$ 1,455,295,949	\$ 391,911,477	\$ 712,818,101	\$ 121,567,286	\$ 27,623,934	\$ 2,159,042	\$ 30,167,669
7	Coastal Bend	\$ 2,480,896,887	\$ 712,778,031	\$ 385,125,304	\$ 1,132,197,266	\$ 182,357,808	\$ 22,728,342	\$ 9,439,405	\$ 36,270,730
8	East Texas	\$ 2,095,011,352	\$ 902,356,172	\$ 527,558,487	\$ 461,924,191	\$ 107,949,001	\$ 43,995,762	\$ 3,232,521	\$ 47,995,218
9	Brazos Valley	\$ 1,690,688,586	\$ 270,338,400	\$ 986,098,014	\$ 109,891,732	\$ 144,685,641	\$ 63,152,374	\$ 19,196,453	\$ 97,325,971
10	South Plains	\$ 1,683,411,699	\$ 544,459,432	\$ 635,739,910	\$ 374,181,502	\$ 35,256,221	\$ 39,384,033	\$ 8,269,723	\$ 46,120,879
11	Central Texas	\$ 1,495,923,601	\$ 667,195,260	\$ 405,501,860	\$ 367,174,981	\$ 16,939,846	\$ 6,762,208	\$ 3,856,282	\$ 28,493,164
12	Panhandle	\$ 1,201,389,953	\$ 550,475,473	\$ 299,690,564	\$ 178,665,929	\$ 125,467,186	\$ 27,238,708	\$ 1,643,940	\$ 18,208,152
13	Heart of Texas	\$ 1,190,011,462	\$ 538,213,054	\$ 268,574,888	\$ 170,161,737	\$ 105,474,097	\$ 45,398,324	\$ 2,672,548	\$ 59,516,813
14	Deep East Texas	\$ 1,155,351,501	\$ 492,267,366	\$ 352,799,814	\$ 182,342,171	\$ 64,159,800	\$ 36,775,674	\$ 7,435,717	\$ 19,570,959
15	West Central Texas	\$ 1,062,672,836	\$ 408,490,661	\$ 328,813,019	\$ 197,867,360	\$ 62,712,591	\$ 18,939,646	\$ 3,558,338	\$ 42,291,221
16	South Texas	\$ 1,043,417,533	\$ 740,643,753	\$ 120,178,679	\$ 171,261,164	\$ 2,209,492	\$ 4,150,740	\$ 70,103	\$ 4,903,602
17	Permian Texas	\$ 979,331,006	\$ 378,497,720	\$ 186,951,605	\$ 302,859,295	\$ 78,039,104	\$ 17,315,130	\$ 1,339,276	\$ 14,328,874
18	South East Texas	\$ 900,029,911	\$ 398,915,970	\$ 243,737,145	\$ 208,960,941	\$ 4,950,945	\$ 14,058,983	\$ 7,244,849	\$ 22,161,079
19	Ark-Tex	\$ 883,317,809	\$ 390,392,616	\$ 131,060,183	\$ 150,576,704	\$ 142,608,091	\$ 58,622,435	\$ 1,340,735	\$ 8,717,047
20	Nortex	\$ 674,840,296	\$ 245,221,426	\$ 232,339,761	\$ 141,217,277	\$ 19,375,078	\$ 23,270,826	\$ 2,887,928	\$ 10,528,000
21	Concho Valley	\$ 471,959,985	\$ 189,517,632	\$ 138,796,823	\$ 75,736,103	\$ 45,976,917	\$ 8,041,329	\$ 3,138,697	\$ 10,752,484
22	Middle Rio Grande	\$ 460,151,261	\$ 312,460,794	\$ 63,868,406	\$ 72,933,927	\$ 4,088,265	\$ 3,018,151	\$ 11,162	\$ 3,770,557
23	Golden Crescent	\$ 443,997,622	\$ 185,313,815	\$ 91,453,510	\$ 108,423,547	\$ 37,161,899	\$ 13,850,959	\$ 297,050	\$ 7,496,843
24	Texoma	\$ 422,939,267	\$ 244,983,369	\$ 69,579,979	\$ 86,646,945	\$ 7,150,932	\$ 3,941,697	\$ 3,077,419	\$ 7,558,926
	Total for Council of Governments	\$ 96,214,431,204	\$ 30,723,710,422	\$ 22,894,943,513	\$ 31,656,863,433	\$ 5,483,770,687	\$ 1,980,724,829	\$ 407,123,647	\$ 3,067,294,673

Data source: Texas Comptroller of Public Accounts, 2018

**Voter Registration
2006 - 2019 Primary Elections**

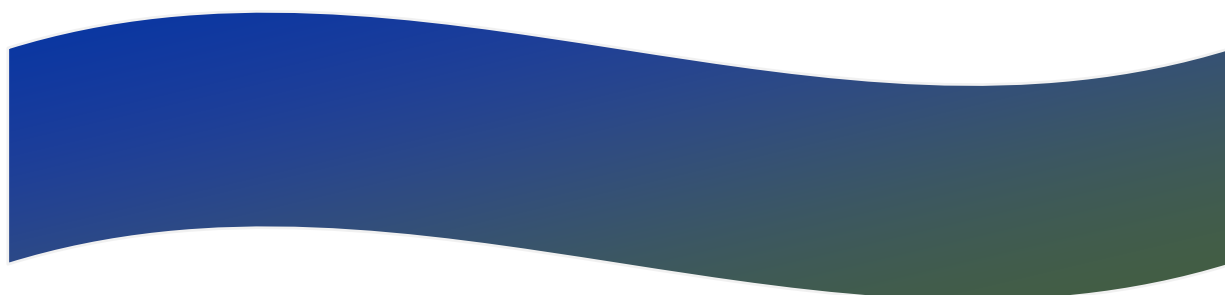
	Number of Precincts	Total Registered Voters													
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Austin	19	17,034	16,841	17,252	17,145	17,546	17,151	17,534	17,732	18,178	18,058	18,601	18,897	19,112	19,223
Brazoria	77	157,705	154,246	159,948	163,934	168,097	163,917	168,795	181,609	178,808	178,804	186,517	200,248	200,830	210,087
Chambers	13	20,450	21,164	21,053	21,930	22,707	22,862	23,316	23,729	24,338	24,481	25,479	26,688	27,299	28,589
Colorado	12	13,008	13,175	13,116	13,052	13,249	12,865	13,021	12,953	13,233	13,085	13,391	13,552	13,714	13,673
Fort Bend	142	256,461	256,537	267,583	290,019	300,777	302,223	315,207	332,199	347,188	359,046	379,254	412,810	413,446	428,679
Galveston	175	182,743	176,504	180,288	177,697	179,928	172,603	177,334	179,943	184,818	194,770	195,988	203,348	207,560	210,663
Harris	1,012	1,871,929	1,782,013	1,804,641	1,859,043	1,889,378	1,847,952	1,884,489	1,930,759	1,998,264	1,998,988	2,084,462	2,189,228	2,248,921	2,357,199
Liberty	36	44,359	43,354	43,253	42,505	42,863	41,111	41,949	41,025	41,263	40,251	41,130	43,619	43,109	44,285
Matagorda	18	20,890	20,284	20,761	20,540	20,893	20,131	20,625	20,201	20,577	20,265	20,826	20,941	21,338	21,745
Montgomery	89	215,878	214,406	224,321	235,052	243,027	238,707	246,768	257,799	268,147	273,352	290,259	306,564	318,611	327,629
Walker	16	28,190	27,658	28,343	29,119	29,507	28,356	29,169	28,983	29,578	29,044	30,179	31,334	31,835	32,572
Waller	21	24,709	25,861	27,045	28,787	29,792	27,037	27,706	27,751	28,288	28,344	29,237	30,351	30,984	31,952
Wharton	34	24,583	23,493	23,992	24,082	24,471	23,675	24,090	23,907	24,275	23,743	24,387	24,612	24,795	25,207
H-GAC Region	1,664	2,877,939	2,775,536	2,831,596	2,922,905	2,982,235	2,918,590	2,990,003	3,078,590	3,176,955	3,202,231	3,339,710	3,522,192	3,601,554	3,751,503

Source: Office of the Texas Secretary of State 2019

2018 General Elections- County						
County	Republican	Democratic	Libertarian	Total Votes	Total Voters	Turn Out
AUSTIN	9,009	1,897	123	11,029	19,406	56.83%
BRAZORIA	70,373	39,536	1,637	111,546	207,446	53.77%
CHAMBERS	12,505	2,460	203	15,168	28,063	54.05%
COLORADO	5,992	1,558	63	7,613	13,938	54.62%
FORT BEND	125,867	125,374	3,613	254,854	431,832	59.02%
GALVESTON	72,104	39,314	2,017	113,435	212,630	53.35%
HARRIS	559,819	628,804	18,094	1,206,717	2,338,460	51.60%
LIBERTY	16,527	3,816	203	20,546	43,981	46.72%
MATAGORDA	7,705	2,673	106	10,484	21,654	48.42%
MONTGOMERY	144,664	43,044	2,602	190,310	333,488	57.07%
WALKER	12,199	5,331	266	17,796	33,422	53.25%
WALLER	10,639	5,791	170	16,600	32,584	50.95%
WHARTON	9,472	3,332	107	12,911	25,132	51.37%
Source: Office of the Secretary of State						

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Single Audit Section



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Houston-Galveston Area Council

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Houston-Galveston Area Council (the "Council"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated June 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Houston-Galveston Area Council

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
June 4, 2019

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR
FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND
THE STATE OF TEXAS *UNIFORM GRANT MANAGEMENT STANDARDS***

To the Board of Directors
Houston-Galveston Area Council

Report on Compliance for Each Major Federal and State Program

We have audited Houston-Galveston Area Council's (the "Council") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on each of Council's major federal and state programs for the year ended December 31, 2018. The Council's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Uniform Grant Management Standards*. Those standards, the Uniform Guidance and the State of Texas *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Council's compliance.

To the Board of Directors
Houston-Galveston Area Council

Opinion on Each Major Federal and State Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
June 4, 2019

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Grantor's ID Number	Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures and Indirect Costs	Pass Through
FEDERAL PROGRAMS				
PRIMARY GOVERNMENT:				
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed Through the Texas Department of Public Safety				
PDMC-PL-06-TX-2016-013	Brazoria County Hazard Mitigation	97.047	27,367	0
PDMC-PL-06-TX-2016-011	Walker County Hazard Mitigation	97.047	11,653	0
PDMC-PL-06-TX-2016-010	Montgomery County Hazard Mitigation	97.047	28,977	0
PDMC-PL-06-TX-2016-006	Austin County Hazard Mitigation	97.047	12,107	0
PDMC-PL-06-TX-2016-008	Chambers County Hazard Mitigation	97.047	16,967	0
PDMC-PL-06-TX-2016-009	Liberty County Hazard Mitigation	97.047	15,928	0
PDMC-PL-06-TX-2016-012	Waller County Hazard Mitigation	97.047	11,497	0
Total - Texas Department of Public Safety			124,496	0
Passed through the General Land Office				
72188840	Hurricane Harvey Administration	97.048	46,453	0
72188840	Hurricane Harvey Direct Project Costs	97.048	1,309,216	0
72188840	Hurricane Harvey Program Management	97.048	555,844	0
Total - Texas General Land Office			1,911,513	0
Passed Through the Office of the Governor				
3707201	Reallocation Project - ALERRT Training Equipment	97.067	46,000	0
2992703	Homeland Security Grant Program - SHSP - 2017	97.067	137,070	0
2992704	Homeland Security Grant Program - SHSP - 2018	97.067	33,850	0
Total - Office of the Governor			216,920	0
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			2,252,929	0
U.S. DEPARTMENT OF AGRICULTURE				
SNAP Cluster				
Passed Through the Texas Workforce Commission				
2818SNE000	SNAP E&T - 2018	10.561	624,067	624,067
2819SNE000	SNAP E&T - 2019	10.561	557,994	468,011
2818SNEA00	SNAP E&T - 2018	10.561	912,013	698,336
Subtotal - SNAP Cluster			2,094,074	1,790,414
Total - Texas Workforce Commission			2,094,074	1,790,414
TOTAL U. S. DEPARTMENT OF AGRICULTURE			2,094,074	1,790,414
U.S. DEPARTMENT OF EDUCATION				
Passed Through the Texas Workforce Commission				
2816AELB07	Adult Education and Literacy	84.002A	12,395,118	12,066,264
2816AEL007	Adult Education and Literacy	84.002A	-3,332,664	-3,332,664
2818ALA000	Adult Education and Literacy	84.002A	6,011,591	5,706,562
Subtotal - 84.002A			15,074,045	14,440,162
Total - Texas Workforce Commission			15,074,045	14,440,162
TOTAL DEPARTMENT OF EDUCATION			15,074,045	14,440,162
U.S. DEPARTMENT OF ENERGY				
Direct Programs:				
DE-EE0005979	Houston Zero Emission Delivery Vehicle Deployment	81.086	24,115	19,089
DE-EE0005978	Hydrogen Fuel-Cell Electric Hybrid Truck Demonstration	81.086	64,840	64,840
DE-EE0007411	Clean Cities Outreach Education and Performance Tracking	81.086	20,729	0
Subtotal - 81.086			109,684	83,929
TOTAL DEPARTMENT OF ENERGY			109,684	83,929
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Passed Through the Texas Department of Aging and Disability Services				
539-16-0015-00001	Aging Title VII EAP - 2018	93.041	21,297	0
	Subtotal - 93.041		21,297	0
539-16-0015-00001	Aging Title VII OAG - 2018	93.042	78,913	0
	Subtotal - 93.042		78,913	0
539-16-0015-00001	Aging Title III, Part D - 2018	93.043	105,396	0
539-16-0015-00001	Aging Title III, Part D - 2019	93.043	25,500	0
	Subtotal - 93.043		130,896	0
Aging Cluster				
539-16-0015-00001	Aging Title III, Part B - 2018	93.044	1,999,373	623,442
539-16-0015-00001	Aging Title III, Part B - 2019	93.044	594,110	224,331
539-16-0015-00001	Aging Title III, Part C - 2018	93.045	1,933,181	1,550,863
539-16-0015-00001	Aging Title III, Part C - 2019	93.045	733,360	463,078
539-16-0015-00001	Aging NSIP - 2018	93.053	298,669	298,669
539-16-0015-00001	Aging NSIP - 2019	93.053	50,729	50,729
	Total - Aging Cluster		5,609,422	3,211,112
539-16-0015-00001	Aging Title III, Part E - 2018	93.052	676,407	0
539-16-0015-00001	Aging Title III, Part E - 2019	93.052	188,852	0
	Subtotal 93.052		865,259	0
539-16-0015-00001	Hurricane Harvey Disaster Relief	93.048	87,000	0
	Subtotal 93.048		87,000	0
539-16-0015-00001	ATRA-MIPPA Priority 2 - 2018	93.071	16,392	0
	Subtotal 93.071		16,392	0
539-16-0015-00001	Aging HICAP (04/01/17-03/31/18)	93.777	35,869	0
539-16-0015-00001	Aging HICAP (04/01/18-03/31/19)	93.777	70,290	0
	Subtotal - 93.777		106,159	0
	Total - Texas Department of Aging and Disability Services		6,915,338	3,211,112
TANF Cluster				
Passed Through the Texas Workforce Commission				
2818TAN000	TANF Choices - 2018	93.558	12,348,045	11,613,764
2819TAF000	TANF Choices - 2019	93.558	2,545,142	2,362,455
2818NCP000	TANF E&T - Noncustodial Parent Empl - 2018	93.558	488,643	416,582
2819NCP000	TANF E&T - Noncustodial Parent Empl - 2019	93.558	145,451	136,064
2816AELB07	Adult Education and Literacy	93.558	566,744	566,744
2818ALA000	Adult Education and Literacy	93.558	202,819	202,819
2818WPA000	Employment Services - 2018	93.558	206,233	206,233
	Total - TANF Cluster		16,503,077	15,504,661
CCDF Cluster				
2818CAA000	CC Attendance Auto Services - 2018	93.575	627,616	627,616
2819CAA000	CC Attendance Auto Services - 2019	93.575	228,135	228,135
2818CCQ000	Child Care Quality - 2018	93.575	2,579,224	2,579,224
2819CCQ000	Child Care Quality - 2019	93.575	800,385	800,385
2818CCF000	Child Care (BAPA) - 2018	93.596	26,641,851	26,641,851
2819CCF000	Child Care (BAPA) - 2019	93.596	6,669,984	6,669,984
2818CCM000	Child Care Local Initiatives - 2018	93.596	20,082,705	20,082,705
2819CCM000	Child Care Local Initiatives - 2019	93.596	5,970,225	5,970,225
2818CCF000	Child Care	93.575	53,573,606	52,601,384
2819CCF000	Child Care	93.575	21,206,054	21,007,587
	Total - CCDF Cluster		138,379,785	137,209,096
	Total - Texas Workforce Commission		154,882,862	152,713,757
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			161,798,200	155,924,869
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
CDBG Cluster				

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Passed Through the General Land Office				
C717218	Community Development Block Grant - 2018	14.228	6,959	0
12-506-000-6719	CDBG - Disaster Recovery Program Non-Rental Housing Projects	14.228	202,290	0
12-505-000-6718	CDBG - IKE Admin Rental	14.228	107,445	0
12-505-000-6718	CDBG - IKE Multi Family Rental	14.228	10,715,179	10,715,179
12-506-000-6719	CDBG - IKE Rapid Housing	14.228	111	0
Total - General Land Office			<u>11,031,984</u>	<u>10,715,179</u>
Total - CDBG Cluster			<u>11,031,984</u>	<u>10,715,179</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>11,031,984</u>	<u>10,715,179</u>
U.S DEPARTMENT OF JUSTICE				
Passed Through the Office of the Governor				
2606706	CJD Juvenile Mental Health Project 2018	16.540	105,799	0
2606707	CJD Juvenile Mental Health Project 2019	16.540	770	0
Subtotal - 16.450			<u>106,569</u>	<u>0</u>
3386601	Elder and Vulnerable Adult Justice Program FY18	16.575	81,530	0
3386602	Elder and Vulnerable Adult Justice Program FY19	16.575	79,637	0
Subtotal - 16.575			<u>161,167</u>	<u>0</u>
Total - Office of the Governor			<u>267,736</u>	<u>0</u>
TOTAL U.S DEPARTMENT OF JUSTICE			<u>267,736</u>	<u>0</u>
U.S. DEPARTMENT OF LABOR				
Employment Services Cluster				
Passed Through Texas Veterans Commission				
VES 18-28	Disabled Veterans' Outreach Program	17.801	184,150	184,150
VES 19-28	Disabled Veterans' Outreach Program	17.801	66,835	66,835
VES 18-28	Local Veterans Employment Representative Program	17.804	78,922	54,053
VES 19-28	Local Veterans Employment Representative Program	17.804	28,643	20,429
Total - Texas Veterans Commission			<u>358,550</u>	<u>325,467</u>
Passed Through the Texas Workforce Commission				
2818RAG000	Resource Admin Grant - 2018	17.207	16,489	16,489
2818WCI000	Special Projects	17.207	6,928	6,928
2819WCI000	Special Projects	17.207	93,655	3,655
2818WPA000	Employment Services - 2018	17.207	1,599,080	1,181,594
Total - Texas Workforce Commission			<u>1,716,152</u>	<u>1,208,666</u>
Total - Employment Services Cluster			<u>2,074,702</u>	<u>1,534,133</u>
Passed Through the Texas Workforce Commission				
WIA Cluster				
2818WCI000	Special Projects	17.258	4,392	4,392
2816WOA000	WIA Adult Program - PY2016	17.258	9,766,601	9,034,080
2817WOA000	WIA Adult Program - PY2017	17.258	-747,056	0
2818WOA000	WIA Adult Program - PY2018	17.258	7,806,985	7,613,084
2816WOY000	WIA Youth - PY2016	17.259	366,097	0
2817WOY000	WIA Youth - PY2017	17.259	9,388,551	9,298,603
2818WOY000	WIA Youth - PY2018	17.259	3,326,146	3,225,976
2817WOR000	Rapid Response	17.278	98,669	0
2818WOR000	Rapid Response	17.278	21,625	9,650
2816WOD000	WIA Dislocated Worker - PY2016	17.278	-44,162	0
2817WOD000	WIA Dislocated Worker - PY2017	17.278	7,916,707	7,629,407
2818WOD000	WIA Dislocated Worker - PY2018	17.278	2,484,309	2,408,333
Total WIA Cluster			<u>40,388,864</u>	<u>39,223,525</u>
2818RAG000	Resource Admin Grant - 2018	17.225	5,496	5,496
2818REA000	Reemployment Services and Eligibility Assessment FY18	17.225	1,521,408	1,510,703
2819REA000	Reemployment Services and Eligibility Assessment FY19	17.225	167,812	159,694
Subtotal - 17.225			<u>1,694,716</u>	<u>1,675,893</u>
2817TRA000	Trade Act Services for Dislocated Workers - 2017	17.245	317,786	317,186

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

2818TRA000	Trade Act Services for Dislocated Workers - 2018	17.245	1,013,157	980,130
	Subtotal - 17.245		1,330,943	1,297,316
2818RAG000	Resource Admin Grant - 2018	17.273	1,451	1,451
	Subtotal - 17.273		1,451	1,451
2817NDW000	NEG - O&G	17.277	823,390	0
2817NDW001	Hurricane Harvey-NDW	17.277	9,422,225	0
2818NDW009	NDW UPSKILLING MACHINE OPERATIONS	17.277	3,137	0
	Subtotal - 17.277		10,248,752	0
2818WDR000	Working Women Resource Coordination	17.261	19,689	13,315
2818WDR001	Disability Respire Coordination	17.261	76,088	76,088
	Subtotal - 17.261		95,777	89,403
2817ATG000	Apprenticeship Texas Expansion Grant	17.285	95,664	0
	Subtotal - 17.285		95,664	0
	Total - Texas Workforce Commission		53,856,167	42,287,588
TOTAL U.S. DEPARTMENT OF LABOR			55,930,869	43,821,721
U.S. DEPARTMENT OF TRANSPORTATION				
	Passed Through the Federal Transit Administration			
TX-2016-015-00	Federal Transit Formula Grant - The Woodlands Township	20.507	1,317	0
	Subtotal - 20.507		1,317	0
	Highway Planning and Construction Cluster			
	Passed Through the Texas Department of Transportation			
0912-00-474 Task 1 & 2	Clean Air Action Program, Federal Highway Administration	20.205	296,483	0
0912-00-552 Task 1	Clean Cities/Vehicles - 2018	20.205	128,705	0
0912-00-487	Regional Incident Management (IMU/MAP)	20.205	2,268,216	2,238,923
0912-00-496	Clean Air Action Program, Federal Highway Administration 2017	20.205	970,368	0
0912-00-551 Task 2	Clean Cities/Vehicles Administration	20.205	129,428	0
0912-00-551 Task 1	Clean Cities/Vehicles Replacement of Alternative Fuels	20.205	785,765	785,765
0912-00-529 Task 1	Incident Management-Quick Clearance Towing	20.205	1,544,320	1,544,320
0912-00-529 Task 2	Incident Management-Quick Clearance Towing-Admin	20.205	572,701	0
0912-00-491	Livable Centers Planning Studies	20.205	336,478	0
0912-00-464	Commute Solutions Transit Pilot Project	20.205	92,345	92,345
TX-80-0023	Regionally Coordinated Transportation Planning	20.205	28,936	0
0912-00-549	Travel Demand Management	20.205	275	0
0912-00-494	Subregional Planning Initiatives Study	20.205	503,778	287,806
0912-00-508 Task 1 & 2	Clean Cities/Vehicles - 2016	20.205	14,249	14,247
0912-00-460 Task 1	Existing Commuter & Transit Pilot Project	20.205	546	546
0912-00-584 Task 1	Teens in the Drivers Seat	20.205	5,083	0
0912-00-584 Task 2	Youth Traffic Safety Education and Outreach	20.205	8,550	0
0912-00-495 Task 1	Ports Area Mobility Study	20.205	655,206	0
50-18XF0015	Administration - 2018	20.205	1,850,682	0
50-18XF0015	Data Development & Maintenance - 2018	20.205	2,117,064	0
50-18XF0015	Short Range Planning - 2018	20.205	607,211	0
50-18XF0015	Long Range Plan - 2018	20.205	1,740,963	0
50-17XF0015	Special Studies - 2018	20.205	10,736	0
50-19XF0015	Administration - 2019	20.205	852,622	0
50-19XF0015	Data Development & Maintenance - 2019	20.205	848,533	0
50-19XF0015	Short Range Planning - 2019	20.205	158,755	0
50-19XF0015	Long Range Plan - 2019	20.205	794,514	0
50-19XF0015	Special Studies - 2019	20.205	29,245	0
	Total - Highway Planning and Construction Cluster		17,351,757	4,963,952
	Highway Safety Cluster			
2018-HGAC-S-1YG-0071	DWI Selective Traffic Enforcement-2018	20.600	32,031	28,219
2019-HGAC-S-1YG-00115	DWI Selective Traffic Enforcement-2019	20.600	17,795	16,482
	Total - Highway Safety Cluster		49,826	44,701
	Total - Texas Department of Transportation		17,401,583	5,008,653

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

TOTAL U.S. DEPARTMENT OF TRANSPORTATION			17,402,900	5,008,653
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Programs:				
2A-83440901	DERA Revolving Loan Program - ARRA	66.039	6,711,977	15,071
2A-83440901-0	Heavy Duty Diesel Replacement	66.039	569,559	307,803
00F95401	Port of Houston Clean Diesel Funding Assistance	66.039	436,943	434,500
	Subtotal - 66.039		<u>7,718,479</u>	<u>757,374</u>
C9-99623623	Texas A&M Agrilife Extension Services	66.460	45,873	0
	Subtotal - 66.460		<u>45,873</u>	<u>0</u>
	Total - Direct Programs		<u>7,764,352</u>	<u>757,374</u>
Passed Through the Texas Commission on Environmental Quality				
582-14-42709 WO#11	TMDL BIG FY18	66.419	112,394	0
582-14-42709 WO#09	TMDL Basin 11 San Jacinto-Brazos Coastal Basin	66.419	157,010	0
582-14-42709 WO#10	TMDL Basin 13 Brazos-Colorado Coastal Basin	66.419	83,039	0
582-18-81222 WO#1	TMDL BIG FY19	66.419	35,594	0
582-18-81222 WO#3	TMDL Basin 13 Brazos-Colorado Coastal Basin FY19	66.419	20,436	0
582-18-81222 WO#4	TMDL Basin 11 San Jacinto-Brazos Coastal Basin FY19	66.419	70,745	0
582-18-81222 WO#2	TMDL BIG Creek FY19	66.419	7,142	0
	Subtotal - 66.419		<u>486,360</u>	<u>0</u>
582-18-80218	Water Quality Management Planning - 2018	66.454	69,040	0
582-19-90146	Water Quality Management Planning - 2019	66.454	42,255	0
	Subtotal - 66.454		<u>111,295</u>	<u>0</u>
582-18-80339	Designing for Impact - LID Implementation	66.456	24,363	0
582-15-50886	Trash Bash 2015-2016	66.456	4,676	0
582-19-90216	Trash Bash - GBEP	66.456	2,780	400
582-17-70286	GBEP - Westfork	66.456	171	0
582-17-70188	GBEP - CCMP	66.456	30,946	0
	Subtotal - 66.456		<u>62,936</u>	<u>400</u>
582-15-56349	Westfork, San Jacinto, & Clear Lake	66.460	115,903	0
582-18-80213	Coastal Communities Education Outreach	66.460	29,180	0
	Subtotal - 66.460		<u>145,083</u>	<u>0</u>
	Total - Texas Commission on Environmental Quality		<u>805,674</u>	<u>400</u>
Passed Through the Texas State Soil and Water Conservation Board				
15-10	Watershed Protection Plan - Cedar Bayou	66.460	100,163	0
	Subtotal - 66.460		<u>100,163</u>	<u>0</u>
	Total - Texas State Soil and Water Conservation Board		<u>100,163</u>	<u>0</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			8,670,189	757,774
TOTAL EXPENDITURES OF FEDERAL AWARDS - PRIMARY GOVERNMENT			<u>274,632,610</u>	<u>232,542,701</u>
DISCRETELY PRESENTED COMPONENT UNIT:				
U.S. DEPARTMENT OF COMMERCE				
19478987	Economic Development - Support for Planning Organizations	11.302	132,710	0
08-79-05234	Economic Development - Economic Recovery Manager	11.302	29,333	
08-79-05078	Economic Development - Disaster Recovery	11.302	10,783	0
	Economic Development Cluster			
08-69-04356	Economic Adjustment Assistance - Revolving Loan Fund	11.307	1,486,483	0
	Total - Economic Development Cluster		<u>1,486,483</u>	<u>0</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			1,659,309	0
TOTAL EXPENDITURES OF FEDERAL AWARDS - DISCRETELY PRESENTED COMPONENT UNIT			<u>1,659,309</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			<u>276,291,919</u>	<u>232,542,701</u>

HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

STATE PROGRAMS

PRIMARY GOVERNMENT:

OFFICE OF THE GOVERNOR-CRIMINAL JUSTICE DIVISION

1471915	Law Enforcement Training - 2018-2019	347,256	225,993
	Subtotal - Law Enforcement Training	347,256	225,993
TOTAL OFFICE OF THE GOVERNOR-CRIMINAL JUSTICE DIVISION		347,256	225,993

18-497-009-B238	Community Development Block Grant	131,865	131,865
	Subtotal - Community Development Block Grant	131,865	131,865

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Direct Programs:

582-18-80539	Solid Waste - 2018 - 2019	620,855	325,008
	Subtotal - Solid Waste	620,855	325,008

582-18-80290	Texas Clean Rivers - 2018-2019	840,484	126,371
	Subtotal - Clean Rivers	840,484	126,371

	Total - Direct Programs	1,461,339	451,379
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Passed Through Harris County

582-12-20273	Air Check Texas - 2017	7,434,692	6,676,272
	Total - Air Check Texas - Harris County	7,434,692	6,676,272

Passed Through Fort Bend County

582-12-20281	Air Check Texas - 2017	434,840	434,840
	Total - Air Check Texas - Fort Bend County	434,840	434,840

Passed Through Brazoria County

582-12-20280	Air Check Texas - 2017	432,562	384,415
	Total - Air Check Texas - Brazoria County	432,562	384,415

Passed Through Galveston County

582-12-20283	Air Check Texas - 2017	637,149	565,636
	Total - Air Check Texas - Galveston County	637,149	565,636

Passed Through Montgomery County

582-12-20282	Air Check Texas - 2017	702,908	251,557
	Total - Air Check Texas - Montgomery County	702,908	251,557

TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY		11,103,490	8,764,099
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TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES

539-16-0015-00001	State General Revenue - 2019	104,083	104,083
539-16-0015-00001	OMB ALF Services - 2018	123,624	0
539-16-0015-00001	OMB ALF Services - 2019	21,096	0

TOTAL TEXAS DEPARTMENT OF AGING AND DISABILITY SERVICES		248,803	104,083
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TEXAS WORKFORCE COMMISSION

2818SNE001	SNAP E&T - 2018	627,185	627,185
2819SNE001	SNAP E&T - 2019	226,801	209,776
2818SNEA00	SNAP E&T - 2018	139,588	139,588
2818SNE000	SNAP E&T - 2018	61,076	61,076
2819SNE000	SNAP E&T - 2019	166,718	166,718
	Subtotal - SNAP E&T	1,221,368	1,204,343

2818RAG000	Resource Admin Grant - 2018	4,045	4,045
	Subtotal - Resource Administration Grant	4,045	4,045

2818TAN000	TANF Choices - 2018	1,660,791	1,660,791
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HOUSTON-GALVESTON AREA COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

2819TAF000	TANF Choices - 2019	477,754	477,754
2818NCP000	TANF E&T - Noncustodial Parent Empl - 2018	223,244	223,244
2819NCP000	TANF E&T - Noncustodial Parent Empl - 2019	89,748	89,748
	Subtotal - TANF Choices	<u>2,451,537</u>	<u>2,451,537</u>
2818CCP000	Child Care DFPS - 2018	12,562,462	12,518,552
2819CCP000	Child Care DFPS - 2019	4,313,854	4,291,503
	Subtotal - Child Care DFPS	<u>16,876,316</u>	<u>16,810,055</u>
2816AELB07	Adult Education and Literacy	1,498,260	1,498,260
2818ALA000	Adult Education and Literacy	1,336,961	1,336,961
	Subtotal - AEL	<u>2,835,221</u>	<u>2,835,221</u>
2818CCF000	CCDF Child Care - 2018	7,731,562	7,731,562
2819CCF000	CCDF Child Care - 2019	1,088,111	1,088,111
2817CCC000	Child Care - Subsidized	1,154,930	1,154,930
2818CCM000	Child Care Local Match - 2018	102,442	102,442
	Subtotal - Child Care	<u>10,077,045</u>	<u>10,077,045</u>
TOTAL TEXAS WORKFORCE COMMISSION		<u>33,465,532</u>	<u>33,382,246</u>
U.S. ENDOWMENT FOR FORESTRY AND COMMUNITIES			
CE16-049	U.S. Endowment for Forestry and Communities	8,014	0
TOTAL U.S. ENDOWMENT FOR FORESTRY AND COMMUNITIES		<u>8,014</u>	<u>0</u>
TOTAL EXPENDITURES OF STATE AWARDS - PRIMARY GOVERNMENT		<u>45,304,960</u>	<u>42,608,286</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS - REPORTING ENTITY		<u>321,596,878</u>	<u>275,150,986</u>

HOUSTON-GALVESTON AREA COUNCIL

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

1 BASIS OF ACCOUNTING

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87 where still applicable, and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance). Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior year. H-GAC has elected to use the negotiated indirect cost rate and not the 10% de minimum rate as allowed under the Uniform Guidance.

2 REPORTING ENTITY

H-GAC for purposes of the schedule of expenditures of federal and state awards includes all funds of the primary government. Also included is the Gulf Coast Economic Development Corporation, a discretely presented component unit of H-GAC

3 RECONCILIATION

Adjustments necessary to reconcile expenditures reported on the supplementary schedule of expenditures of federal and state awards to the basic financial statements at year end were as follows:

Total Grant Fund Expenditures	\$ 323,761,588
Add: Depreciation charged to grant programs	389,636
Add: Gulf Coast Economic Development Corporation federal expenditures	1,659,309
Add: EPA RLF reconciling items from notes 5 below	6,541,202
Less: In-Kind Expenditures	(7,251,717)
Less: Program Income	(145,336)
Less: Cash Match	(212,991)
Less: Expenditures funded by local grant revenues	(3,144,812)
Total Federal and State Schedule	<u>\$ 321,596,879</u>

4 CALCULATION OF FEDERAL AWARDS EXPENDED FOR EDA REVOLVING LOAN FUND

Expenditure of the EDA Revolving Loan Fund were calculated as follows:

Balance of RLF loans outstanding at 12/31/2018	\$ 1,104,261
Cash and investment balance at 12/31/2018	376,701
Administrative costs during the fiscal year	5,521
Unpaid principal of loans written off during the fiscal year	-
Total EDA Revolving Loan Fund Expenditures	<u>1,486,483</u>
Federal Participation Rate	<u>100%</u>
Total Federal Share of EDA Revolving Loan Fund Expenditures	<u>\$ 1,486,483</u>

5 CALCULATION OF FEDERAL AWARDS EXPENDED FOR EPA REVOLVING LOAN FUND

Expenditure of the EPA Revolving Loan Fund were calculated as follows:

Value of new loans made during 2018	\$ -
Ending balance of loans made in previous years	715,977
Administrative costs during the fiscal year	75,844
Cash and investment balance at 12/31/2018	5,910,613
Repayment of written off loan in 2018	<u>9,544</u>
Total EPA Revolving Loan Fund Expenditures	<u>6,711,977</u>
Federal Participation Rate	<u>100%</u>
Total Federal Share of EPA Revolving Loan Fund Expenditures	<u>\$ 6,711,977</u>

6 FEDERAL PROGRAM TOTALS

Some programs include awards received from multiple federal funding grantors

Texas Department of Agriculture	\$ 6,959
General Land Office	11,025,025
Total CFDA #14.228	<u>\$ 11,031,984</u>
Texas Workforce Commission	\$ 1,716,152
Texas Veterans Commission	358,550
Total Employment Service Cluster CFDA#17.207, 17.801, 17.804	<u>\$ 2,074,702</u>
Texas Commission on Environmental Quality	\$ 145,084
Total CFDA #66.460	<u>\$ 145,084</u>

Houston-Galveston Area Council
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

I. Summary of Auditors' Results	
Financial Statements	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None

Identification of major programs:

Name of Federal Program or Cluster	CFDA Numbers
Aging Cluster	93.044/93.045/93.053
Federal Disaster Assistance Response and Recovery Programs Hurricane Harvey Administration, Direct Project Costs, and Program Management	97.048
Workforce Investment Act (WIA) National Emergency Grants National Dislocated Worker Grant (NDW) Oil and Gas National Dislocated Worker Grant (NDW) Hurricane Harvey National Dislocated Worker Grant (NDW) Upskilling Machine Operations	17.277
TANF Cluster	93.558
CCDF Cluster	93.575/93.596
Reemployment Services and Eligibility Assessment and Resource Administration Grant	17.225
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$3,000,000
2. Federal Single Audit - Auditee qualified as low-risk auditee?	Yes

Houston-Galveston Area Council
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended December 31, 2018

I. Summary of Auditors' Results (continued)	
State Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major state programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) UGMS?	None
Identification of major programs:	
Name of State Program or Cluster	Grant / Contract Number
Solid Waste	582-18-80539
TANF Choices and Employment & Training Noncustodial Parent Unemployment	2818TAN000 2819TAF000 2818NCP000 2819NCP000
Aging – State General Revenue and OMB ALF Services	539-16-0015-00001
Community Development Block Grant	18-497-009-B238
CCDF and DFPS Child Care	2818CCP000 2819CCP000 2818CCF000 2819CCF000 2817CCC000 2818CCM000
1. Dollar Threshold Considered Between Type A and Type B Programs	\$469,538
2. State Single Audit - Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

There were no current year findings.

III. Federal and State Award Findings and Questioned Costs.

There were no current year findings or questioned costs.

Houston-Galveston Area Council
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2018

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None noted.

Houston-Galveston Area Council***CORRECTIVE ACTION PLAN******For the Year Ended December 31, 2018***

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

Corrective Action Plan - Not Applicable



Houston-Galveston Area Council

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